2017
ANNUAL REPORT

GILDAN®
Making Apparel Better™

“I firmly believe that no other company is better equipped to respond to the shifting market landscape given our business model, expertise, talent and strategies.”

Glenn J. Chamandy
President & CEO

2017 IN REVIEW

JAN

GILDAN RECEIVES BRONZE CLASS DISTINCTION IN THE ROBECOSAM 2017 SUSTAINABILITY YEARBOOK

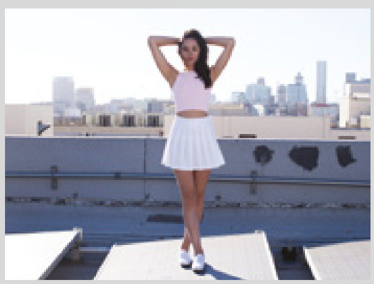
For the fifth consecutive year, Gildan has qualified for inclusion in the 2017 RobecoSAM Sustainability Yearbook, receiving the Bronze Class distinction this year for its strong sustainability performance.

ROBECOSAM
Sustainability Award
Bronze Class 2017

FEB

GILDAN COMPLETES ACQUISITION OF AMERICAN APPAREL®

The acquisition expands the Company's offering in the fashion basics category and provides growth opportunities through leveraging the Company's global printwear networks and by expanding the Company's direct-to-consumer business with an iconic premium fashion brand.



GILDAN'S BOARD OF DIRECTORS APPROVED A 5TH CONSECUTIVE ANNUAL 20% INCREASE IN THE AMOUNT OF THE CURRENT QUARTERLY DIVIDEND

MAR

GILDAN SIGNS A PARTNERSHIP WITH CATALYST

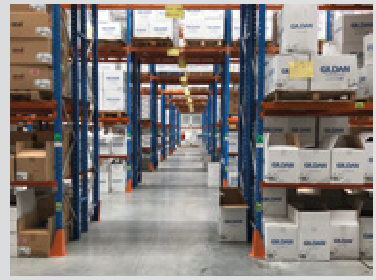
Catalyst is a leading global, non-profit organization with a mission to accelerate progress for women through workplace inclusion. Gildan's current management profile includes 41% women in positions of managers and above.

CATALYST
WORKPLACES THAT WORK FOR WOMEN

APR

GILDAN ACQUIRES A 100% INTEREST IN AN AUSTRALIAN BASED ACTIVEWEAR DISTRIBUTOR

The acquisition supports the Company's international sales growth strategy and enhances the Company's distribution capabilities in the region.



MAY

GILDAN RECEIVES THE DISTINTIVO ESR® AWARD FOR THE 2ND YEAR

The Distintivo ESR® aims to recognize companies' efforts to voluntarily and publicly undertake the commitment to implement socially responsible management and continuous improvement initiatives as part of their culture and business strategy.

SHIRLEY E. CUNNINGHAM IS APPOINTED AS A NEW BOARD MEMBER AT GILDAN'S ANNUAL MEETING OF SHAREHOLDERS

JUN

LEAD SPONSOR OF THE ESPRIT DE SHE RACE SERIES ACROSS THE US

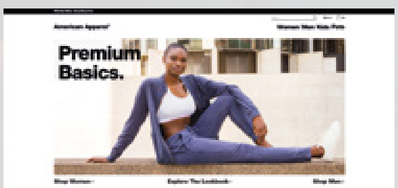
The Gildan® Esprit de She race series, in combination with the 'Girls on the Run®' series, is dedicated to women and aims to encourage them in their daily lives.

JUL

ACQUISITION OF A RING-SPUN YARN MANUFACTURER IN GEORGIA
Gildan acquires the assets of a ring-spun yarn manufacturer, Swift Spinning, Inc., with two facilities located in Columbus, Georgia. Production from the yarn facilities supports our sales growth of fashion basics products and rounds out our yarn requirement needs, in particular for specialty yarns.

AUG

AMERICAN APPAREL E-COMMERCE SITE RELAUNCHES
The brand is made available again to consumers in the U.S. with a revised offering of fashionable basics and favourite styles.



GILDAN SUPPORTS JCPENNEY PAIR UP GIVING PROMOTION THROUGH ITS GOLDTOE® BRAND
Gildan partners with JCPenney to donate 100,000 free pairs of socks to children in need for every pair of GOLDTOE® socks sold at JCPenney through this special "buy-one, give-one" promotion.

SEP

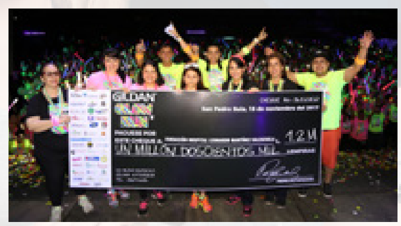
GILDAN IS INCLUDED ON THE DOW JONES SUSTAINABILITY WORLD INDEX FOR THE 5TH CONSECUTIVE YEAR
The Dow Jones Sustainability World Index comprises global sustainability leaders and represents the top 10% of the largest 2,500 companies in the S&P Global BMI (Broad Market Index) based on long-term economic, environmental and social criteria.

OCT

GILDAN PARTNERS WITH SANS SOUCIE TO GIVE NEW LIFE TO HOSIERY WASTE
Gildan launches its partnership with Katherine Soucie, founder of Sans Soucie Textile and Design, a zero waste textile and clothing design studio, providing hosiery waste that is transformed into new garments and textiles.

NOV

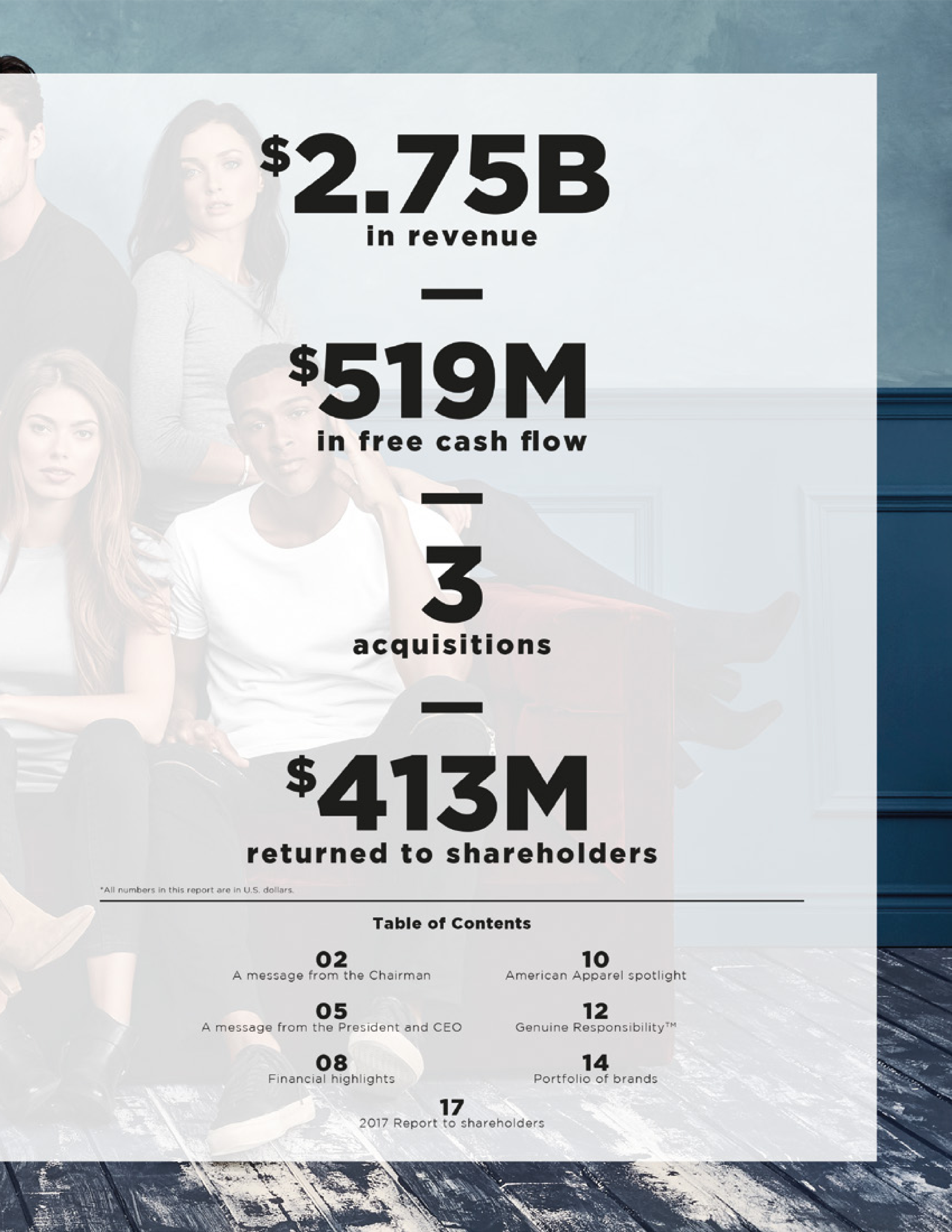
GILDAN ORGANIZES THE 5TH ANNUAL GILDAN GLOW RUN
The 5k run and fundraising event, united more than 12,000 Gildan employees and their families and raised more than $100,000 in 2017 for communities in Honduras, Nicaragua and the Dominican Republic.



DEC

GILDAN® NEW MEXICO BOWL
Gildan sponsors the Gildan® New Mexico Bowl College Championship football game. Gildan has been the title sponsor of this great event since 2011.

GILDAN® EXTENDS TRIPLE-A BASEBALL NATIONAL SPONSORSHIP
Since 2012, Gildan has been the Official National Sponsor of Triple-A Baseball, for all 30 teams and special events such as the AAA All Star game and league championships.



$2.75B
in revenue

—

$519M
in free cash flow

—

3
acquisitions

—

$413M
returned to shareholders

*All numbers in this report are in U.S. dollars.

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a message from THE CHAIRMAN

To my fellow shareholders,

On behalf of the Board, it is my pleasure to present our 2017 Annual Report. Despite a challenging business environment, especially in the retail sector, the management team and our employees have once again delivered strong results this year, showcasing the underlying strength of the Company's vertically-integrated business model and our mission of 'Creating Value in Everything We Do'.

Under Glenn's leadership, the Company has delivered against our strategic growth drivers of leveraging our Printwear leadership to grow market share and expand internationally, growing retail share in key categories such as underwear, optimizing investments in manufacturing to drive further cost savings and operational efficiencies and returning value to shareholders while remaining well positioned to pursue strategic acquisitions.

In this regard, we were pleased that the Company has maintained a balanced capital allocation strategy returning capital to shareholders in 2017 through the payment of dividends and share repurchases while continuing to invest in our brands, capacity expansion and cost saving initiatives. Further, Gildan's strong results allowed us to approve a 6th consecutive annual dividend increase of 20% for 2018 and the renewal of the Company's normal course issuer bid program to repurchase another 5% of the Company's outstanding shares.

Genuine Responsibility™

The Board remains committed to ensuring a sustainable future and is pleased with the efforts of our operational and manufacturing teams in achieving outstanding results this past year. While in the process of fully integrating the manufacturing facilities we acquired in 2016, we managed to deliver impressive overall results such as recycling or repurposing 86% of the Company's total waste, generating 32% of our total energy needs from renewable sources and further integrating several sustainable solutions across our manufacturing operations.

In 2017, we published our 13th Genuine Responsibility™ update, which highlighted our accomplishments, revealed our challenges and presented our results across several key sustainability metrics. Gildan continued to show good progress towards reaching its Genuine Responsibility™ 2020 Goals, which call for a 10% reduction in energy and water intensity, GHG emissions and landfill waste, measured per kg of production from owned operations. The Company is working hard to achieve these 2020 targets with specific projects and initiatives underway.

In further recognition of its leadership position in the global apparel industry, Gildan was included in the Dow Jones Sustainability World Index for the fifth consecutive year in 2017, once again as the only North American company in the Textiles, Apparel and Luxury Goods industry group listed in this globally recognized index.

Product Development Innovation Center in Honduras

Code of Conduct
In 2017, the Company updated its Code of Conduct to reflect its core values and the most current international standards as set out by leading global organizations. Gildan's new Code sets forth standards and expectations of conduct regarding our manufacturing and sourcing practices and acts as a framework in guiding its operations and business practices. All office and administrative employees were trained on the new Code in 2017 and we look forward to completing the training of manufacturing employees in 2018.

Strong Board governance
The Board has also continued its diligent work this past year in overseeing the Company's strategy and organizational development, more specifically with Board visits to the manufacturing facilities in the Rio Nance Complex in Choloma, Honduras and to Barbados, where we had an opportunity to meet the newly added E-Commerce and American Apparel teams.

The challenges posed by technology developments and competitive dynamics in the apparel industry continue to be a focus of your Board. In this regard, we are proposing for your approval, four new Directors whose biographies are included in the Management Proxy Circular for the Annual General Meeting in May. These proposed Director candidates are part of a rational succession plan for the Board, adding individuals who are experienced public company Directors with skills that match our Director skills matrix.

Sheila O'Brien will be retiring at this year's annual meeting and I would like to thank her for 13 years of service on the Board. Sheila has made many important contributions, including playing a significant role in promoting diversity and inclusion on the Board and in the Company at large, as well as in the ongoing development of the human resources function at Gildan, serving as a member and Chair of the Compensation and Human Resources Committee.

Looking forward
In the coming year, the Board will be focused on supporting the Company in its progress against its core strategies including the recently announced consolidation of the Branded Apparel and Printwear operating segments. The Board strongly supports this organizational realignment, which we believe will allow Gildan to better respond to the changing dynamics of global markets and further strengthen the Company's business model to drive growth.

Finally, I would like to take this opportunity to thank Glenn, his leadership team and all 50,000 employees for their hard work and dedication to excellence this year. I would also like to thank you, our shareholders, for your confidence and continued support. Gildan has emerged from 2017 with strong fundamentals to take on new opportunities. I look forward to a successful and sustainable future.

Sincerely,

Bill Anderson
Chairman

In support of this growing e-commerce business we also added a dedicated direct-to-consumer distribution facility, located in Jurupa Valley, California

Our new drop-ship facility in Jurupa Valley, California, USA

a message from

THE PRESIDENT & CEO

To our shareholders,

This past year, we have continued our solid track record of delivering strong results. In the face of a rapidly changing marketplace and ongoing challenges within the retail segment we have once again performed well, fueled by the competitive advantages we have built over the last decade.

Sales for the full year totaled $2.75 billion, up 6.4% from last year, which was in line with the Company's guidance. We generated adjusted operating margins of 15.4% for the full year, up 60 basis points over last year, and adjusted diluted EPS of $1.72, up 14% over our prior year results.

Our Company continues to evolve and demonstrate our industry leadership. Historically our sales growth was fueled organically from market share gains and international expansion within the printwear channel. We then invested further in our manufacturing operations, extended our vertical integration into yarns and pursued strategic M&A opportunities, both as an entry point into the retail market and to expand our share within the global printwear channels. By levering these investments and our low cost manufacturing base we have delivered strong revenue growth and returns.

As we look at the wide-spread changes happening across our markets, I am confident we are well positioned to capture the next phase of Gildan's growth. We are making the necessary investments to further enhance our abilities to efficiently and sustainably capture opportunities that are being created in these changing markets, always maintaining our focus on our brands, manufacturing excellence and global distribution capabilities.

We ended the year with strong sales growth in Printwear, continued growth in our underwear business and delivered another record year of free cash flow totaling $519 million, while continuing to execute on our priorities for capital allocation. Through the issuance of dividends and the repurchase of shares in 2017, we returned $413 million to shareholders while continuing to make strategic investments in areas that will enhance our manufacturing, distribution and e-commerce capabilities and position the Company for growth over the long-term.

Building on our strengths in Printwear

Our success in 2017 was a result of continued growth in the printwear channel driven by a combination of incremental sales contributions from the acquisitions of Alstyle and American Apparel®, double-digit organic volume growth in the important fashion basics category and double-digit growth in shipments to international markets.

The American Apparel® brand, acquired in February of this past year, represents a great opportunity for the Company, by providing us with a premium collection in the fashion basics category and by adding a strong consumer brand to our portfolio. I am very proud of the manner in which the organization so quickly integrated the American Apparel® brand at the beginning of 2017. This is truly a testimony to our strong business model and how our vertical integration and operational excellence set us apart from the industry and position us well to best capitalize on future opportunities.

Our 2018 Comfort Colors® Apparel Collection

In this past year, we also expanded the Anvil®, Comfort Colors® and Gildan® brands in the fashion basics category, leaving us very well positioned heading into 2018. A key highlight was the successful introduction of the Gildan® Hammer™ collection at this year's January trade shows. This heavier weight, premium collection of soft ring-spun styles in classic silhouettes has clearly hit the mark.

Digital convergence creates opportunity

The rapid movement of consumers to online platforms and the increasing use of mobile devices for engaging with consumers have created a convergence between the retail and printwear markets.

We believe this represents a tremendous opportunity for our Company and lies at the center of our strategy to consolidate our Printwear and Branded Apparel business units into one consolidated operating division. This will better position the Company to capitalize on growth opportunities within the evolving industry landscape through a more streamlined and leaner organization, creating cost savings, margin accretion and operational efficiencies as the Company leverages a common infrastructure to maximize the growth potential of all its brands.

We were pleased with the results from our "Not Your Dad's Underwear" marketing campaign during 2017, designed to show our customers that Gildan® is a brand they can truly make their own. Our underwear business continued to grow throughout the year with broader placement and expanded product offerings featuring new technologies such as MoveFX® for better fit and Cool Spire® for wicking performance.

One major trend that we saw in 2017 was the movement by retailers to focus on their owned private label brands, which primarily impacted our socks sales. However, given our strength in manufacturing we see opportunity in these changes going forward, particularly in selected product categories.

Investing in capabilities and capacity

In the currently evolving marketplace, consumers are able to access millions of products at their fingertips. This ease of access and seemingly unlimited reach has broadened the required skill set for companies to be successful. An important success factor to service this changing dynamic will lie in our abilities to capture and fulfill orders from any origin, to market our brands leveraging social media and digital platforms and to efficiently bring products to market quickly to meet the fast changing demands of a new type of consumer.

In support of our growing e-commerce business, during 2017 we also added a dedicated direct-to-consumer distribution facility, located in Jurupa Valley, California to service both printwear and e-commerce customers. The capacity to service this growing business will be expanded further in early 2018 with the addition of an incremental facility located on the East coast.

"We are making the necessary investments to further enhance our abilities to efficiently and sustainably capture opportunities that are being created in these changing markets, always maintaining our focus on our brands, manufacturing excellence and global distribution capabilities."

Investing in new capabilities in e-commerce

In 2017, we completed the conversion of the goldtoe.com and gildan.com e-commerce sites to a new platform, integrated the American Apparel® e-commerce store onto a shared platform and recruited a world-class e-commerce team with expertise and focus on managing all direct-to-consumer e-commerce initiatives.

In an extension of this growing channel of distribution we have also continued to grow our product presence on a number of major retailers' e-commerce sites, as well as with pure-play e-commerce companies, as demonstrated with the launch of the complete Gildan® Men's Underwear collection on Amazon.com in early 2018.

Expanding our manufacturing capacity

The construction of the new facility, Rio Nance VI, in Honduras, was completed late this year and is expected to start ramping up by mid-2018 to support future growth. This state-of-the-art facility, with flexible capacity, will produce high-value, open-width textiles for our fashion, performance and underwear collections.

Gildan added to its yarn-spinning capabilities through the acquisition of Swift Spinning in 2017. This acquisition has helped Gildan meet its long-term yarn-spinning capacity growth needs and has opened the door for expansion into more specialty yarns to support our fashion basics business. Our yarn-spinning operations now employ close to 1,400 people in the U.S., making us one of the largest domestic consumers of U.S. cotton and one of the largest employers in the industry in the U.S.

Our investments in these areas will ensure that we are well-positioned for continued long-term growth, and provide us with the capability to handle both large scale and smaller lot manufacturing to appeal to different market segments. We anticipate spending approximately $125 million in Capex in 2018 towards these projects as well as to continue to expand our capacity and capabilities to service a growing e-commerce business in the U.S. and internationally.

Meeting challenge with opportunity

I firmly believe that no other company is better equipped to respond to the shifting market landscape given our business model, expertise, talent and strategies. This new connected and digitized marketplace requires more agile organizational models, leaner cost structures and the right people in place to lead and execute through a time of rapid change. I believe we have everything we need to continue to be successful.

I would like to take this opportunity to thank our management team and our now more than 50,000 employees for embracing change and working together to respond quickly to opportunities. I would also like to thank our customers and our shareholders for the confidence you place in us and our ability to navigate through these turbulent but exciting times.

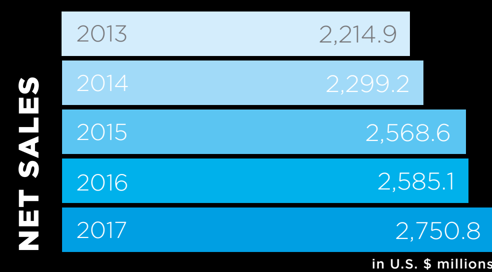
Sincerely,

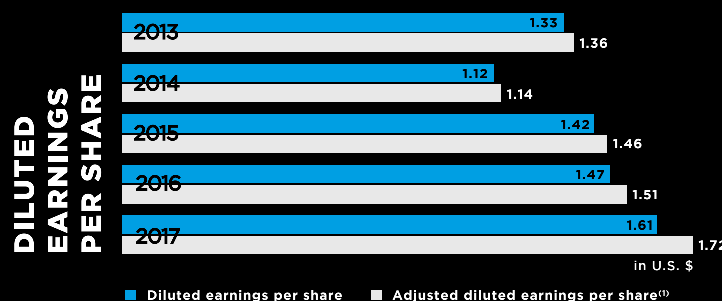
Glenn J. Chamandy
President & CEO

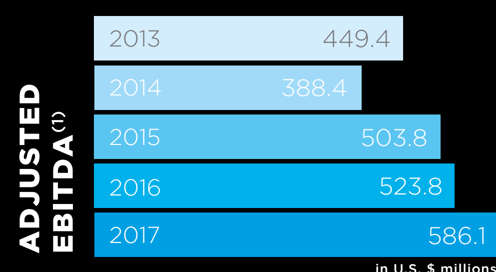
We are evolving with the marketplace by taking steps to streamline our structure and align our operations to operate more efficiently and capitalize on cost reduction opportunities, while also making investments in areas that will enhance our capabilities to drive short and long term sales growth and profitability.”

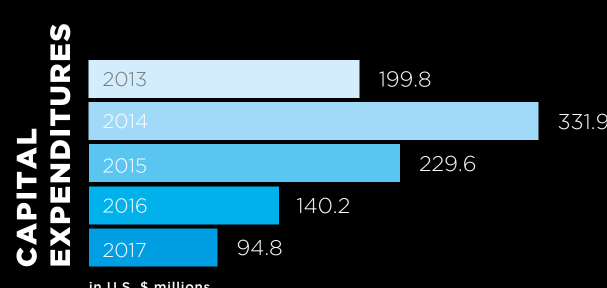
Rhodri Harries
Executive Vice President,
Chief Financial & Administrative Officer

FINANCIAL HIGHLIGHTS









(1) Adjusted diluted earnings per share and adjusted EBITDA are non-GAAP financial measures. See “Definition of non-GAAP financial measures” in the 2017 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

(In U.S.$ millions, except per share data and ratios)	2017	2016	2015	2014	2013
STATEMENT OF EARNINGS					
Net sales	2,750.8	2,585.1	2,568.6	2,299.2	2,214.9
Adjusted EBITDA(1)	586.1	523.8	503.8	388.4	449.4
Adjusted operating income(1)	423.9	383.2	378.9	289.6	354.7
Net earnings	362.3	346.6	346.1	276.6	326.6
Diluted earnings per share	1.61	1.47	1.42	1.12	1.33
Adjusted net earnings(1)	386.9	356.3	355.4	281.0	334.5
Adjusted diluted earnings per share(1)	1.72	1.51	1.46	1.14	1.36
CASH FLOW					
Cash flows from operating activities	613.4	537.9	384.4	244.6	370.5
Capital expenditures	(94.8)	(140.2)	(229.6)	(331.9)	(199.8)
Free cash flow(1)	519.2	398.4	158.9	(81.9)	173.2
FINANCIAL POSITION					
Total assets	2,980.7	2,990.1	2,834.3	2,648.3	2,124.1
Net indebtedness (cash in excess of total indebtedness)(1)	577.2	561.8	324.3	313.9	(15.1)
Shareholders' equity	2,051.4	2,119.6	2,188.4	1,882.2	1,742.9
FINANCIAL RATIOS					
Adjusted EBITDA margin(2)	21.3%	20.3%	19.6%	16.9%	20.3%
Adjusted operating margin(3)	15.4%	14.8%	14.8%	12.6%	16.0%
Adjusted net earnings margin(4)	14.1%	13.8%	13.8%	12.2%	15.1%
Return on shareholders' equity(5)	18.6%	16.5%	17.5%	15.5%	21.0%
Net debt to adjusted EBITDA(1)	1.0x	1.0x	0.6x	0.8x	n.a.

(1) Adjusted EBITDA, adjusted operating income, adjusted net earnings, adjusted diluted earnings per share, free cash flow, net indebtedness (cash in excess of total indebtedness), and net debt to adjusted EBITDA are non-GAAP financial measures. See "Definition and reconciliation of non-GAAP financial measures" in the 2017 Management's Discussion and Analysis.

(2) Adjusted EBITDA divided by net sales

(3) Adjusted operating income divided by net sales

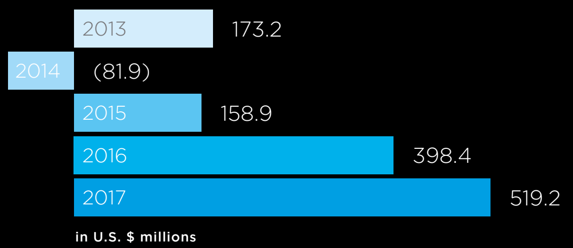
(4) Adjusted net earnings divided by net sales

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

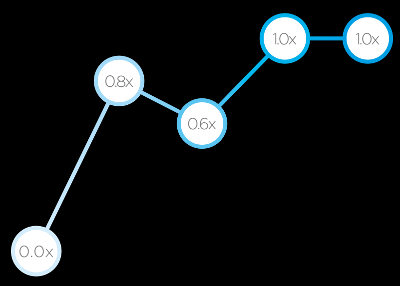
n.a. not applicable

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

FREE CASH FLOW(1)



NET DEBT TO ADJUSTED EBITDA(1)



American Apparel®

Rebirth of an American Icon

American Apparel® collections remain true to the origins of the brand, delivering fashionable basic apparel to younger consumers looking for premium fashion basics, freedom of expression and incredible style. This globally-renowned brand is a great addition to our portfolio, and expands our offering in the fashion basics category of the market with collections of premium quality products.

While American Apparel® is now benefitting from Gildan's global manufacturing infrastructure, operational expertise and financial strength, we have also ensured that the brand's heart and soul remain intact. As part of the Gildan family of brands, American Apparel® has the opportunity to reach new heights and expand to new markets globally.

We are most proud that our teams pulled together and helped integrate this brand into our operations so quickly this past year. We relaunched their printwear business shortly after the acquisition closing in early February. After a transition period, the direct-to-consumers online store at www.americanapparel.com, was relaunched to U.S. consumers with over 200 great styles, many of which are now produced in Gildan's manufacturing facilities.

SOCIAL MEDIA
FOLLOWERS

2M

1.6M

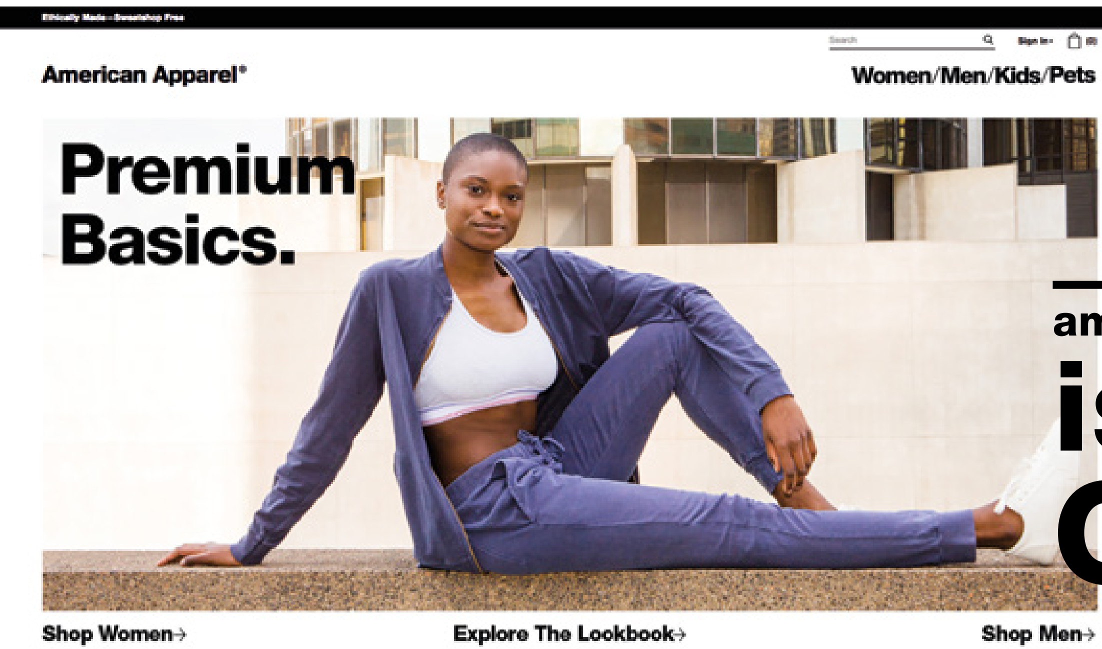
555K

Globally Sourced, Ethically Made, Sweatshop Free.

The core promise of American Apparel® has always been to deliver amazing fashion basic styles that were manufactured ethically and responsibly. The brand's founding belief was that workers were paid a fair wage, provided progressive benefits and treated with respect and dignity.

American Apparel® now has the support of Gildan, one of the world's largest apparel manufacturers, with a strong history of leading responsible and sustainable practices encompassed within its Genuine Responsibility™ corporate social responsibility program.

American Apparel® was built on a strong heritage of company-owned manufacturing, fabric innovation and fashionable styling. Our new Globally-Made collections were developed to offer customers the same great fabrics, styles and colours without compromising on being responsibly-made. We retained a core selection of key styles in a Made-in-U.S.A. collection, with slightly higher prices for those customers looking for a choice.



americanapparel.com is Back Online

The site offers multiple collections including the Basics Shop, the Icons Shop and the Made in USA Shop to cater to all consumers. #AAClassics is found on the brand's Instagram wall, which features social influencers posing and posting in our famous styles.

A new e-commerce team has been recruited, comprised of world-class talent from the U.S., Germany, the Netherlands, Canada, Mexico and Barbados. The team will focus on core e-commerce functions such as site experience, ecosystem design, digital marketing, analytics and conversion optimisation. Later in 2018, we are anticipating the development and launch of a new digital platform, designed to deliver next generation user experiences and unprecedented online performance across this and other brands.

GENUINE **RESPONSIBILITY™**

Our Genuine Responsibility™ program leads the way in corporate, social and environmental responsibility and is firmly embedded in the Company's long-term strategy.

Owning and operating the facilities producing the vast majority of our products, allows us to directly control and positively influence our impacts and pursue continuous improvements in every step in the manufacturing process. Below are some of the many initiatives we have in place.

CREATING OPPORTUNITIES

We strive to empower our employees through access to programs that will enrich the various aspects of their lives – professional, personal or family. We believe that these initiatives have the power to open up future opportunities for advancement and growth and to ensure our people share in our success.

Gildan Entrepreneur Bazaar

Gildan's annual entrepreneurship fair in Honduras showcased the entrepreneurial activities of our employees outside of the workplace, exposing their products and services to thousands of Gildan employees while fundraising for a cause.

Gildan's Housing Program

An important stepping stone in the evolution of developing economies is home ownership. Gildan has donated over $150,000 in down payments for employees looking to purchase a new home. This program was developed in partnership with local banking institutions in Latin America. Gildan has given this important opportunity to 240 employees.

PRIORITIZING HEALTH & WELL-BEING

Gildan's highly-skilled and dedicated manufacturing employees are a central part of the company's success. Helping them stay healthy is therefore a priority.

Primary healthcare in manufacturing facilities

In the majority of our manufacturing locations, our employees benefit from 24-hour access to Gildan's free on-site medical clinics, staffed with doctors and nurses, which provide free health care and medications, pre and postnatal care, vaccinations, preventative screenings and health education campaigns.

Back and Shoulder Health Program

We have established in-house clinics, accessible to employees at all times, that focus on stretching and exercise sessions to promote back and shoulder health. In 2017 alone, we delivered more than 24,000 hours of training and look to expand the program further in 2018.

ENABLING OUR COMMUNITIES

Gildan seeks to be an active participant in the communities where we operate, often going well beyond simply creating employment in our facilities. Each year, Gildan organizes several employee volunteering activities enabling employees to get involved and contribute to the enrichment of their communities.

Gildan Glow Run

The Gildan Glow Run is a 5k run and fundraising event in Honduras, the Dominican Republic and Nicaragua, uniting more than 12,000 Gildan employees and their families yearly to celebrate a night of physical activity and entertainment in support of their communities. Over the last 5 years, the Glow Run has raised over $370,000 for community investments in Latin America.

Bangladesh school for girls

In 2017, the Company signed a collaborative agreement of more than $75,000 with Room to Read® to support more than 160 girls in the Bangladesh Girls' Education Program and establish a library and literacy program at a school in Dhaka.

PROTECTING THE ENVIRONMENT

Gildan's commitment to sustainable operations means that we continuously look for new ways to reduce our footprint. Our focused approach ensures we look for ways to reduce our environmental impact and preserve the natural resources used in our manufacturing processes.

BioMass

Harnessing energy from waste and converting it into renewable energy is the core idea behind Gildan's BioMass system. In highly efficient boilers, we burn agricultural and factory waste to create steam that is deployed throughout our operations, avoiding 150,000 metric tons of greenhouse gas emissions or the equivalent of taking 32,000 cars off the roads annually.

Absorption chillers

Gildan's engineers, always looking to optimize every unit of energy generated, have implemented an innovative solution that captures the thermal energy from within the steam to create cool water that now drives the facilities' air conditioning systems. This system generated energy savings in 2017 equivalent to 1 million gallons of fossil fuels.

portfolio of
BRANDS

GILDAN®

As one of the world's leading brands in everyday basics, Gildan® is trusted by every member of the family for products that deliver premium quality and long lasting durability, always at value-driven prices.

In the printwear industry, Gildan® delivers the ultimate solution for decorators in over 60 countries. Our customers trust Gildan® for superior quality, consistent colors and the broadest distribution network globally. Looking forward to 2018, Gildan's printwear Fashion Collection, already featuring the lightweight SoftStyle family of products, will see the addition of the Gildan® Hammer™ collection featuring heavier weight super-soft ring spun in classic silhouettes.

The Gildan® brand continued to break new ground this past year with our all-new "Not Your Dad's Underwear campaign", helping drive the brand to 10.6% market share at the end of December in the men's underwear category according to NPD Retail Tracking Service . In 2017 we successfully introduced several new technologies to our underwear offering including Cool Spire® wicking technology and MoveFX® stretch properties added to cotton and polyester styles for added comfort and enhanced fit. As we look towards 2018, we will continue to invest strategically in the Gildan® brand, enhance our e-commerce offering and expand our reach, including an early February launch of the full collection of men's underwear on Amazon.

ANVIL®

The Anvil® brand delivers affordable fashion and effortless chic for everyone. The collection is built upon platforms of great fabrics, body-inclusive silhouettes and on-trend blends for individual style. Anvil® is one of our fastest growing printwear fashion basics brands and in 2018, we will add four all-new fabric offerings including the Freedom, Light Terry, Curve and Stretch collections, which address several growing trends with comfort, quality and style.

American Apparel®

The iconic brand that is now part of the growing family of Gildan® brands is the printwear industry's leading premium fashion brand. American Apparel® has a rich history of amazing fabrics, fashion-forward styling and distinct marketing. American Apparel® now benefits from a new global infrastructure, while keeping its heart and soul. American Apparel® relaunched its e-commerce platform in 2017 and continues to create new trends for consumers looking for inspiration in timeless fashion styles.

ALSTYLE®
APPAREL & ACTIVEWEAR

For more than 40 years, Alstyle® has been crafting basic tees and sweatshirts that deliver quality, style and comfort. Pioneers in the industry for introducing the tear-away label and personalization of apparel, Alstyle® continues to be a favourite for printwear customers looking to rebrand their decorated apparel. From infants to adults, Alstyle® tees, tanks and sweatshirts are available in a variety of colours and brilliant, eye-catching shades. There's a choice for every style and occasion.

COMFORT COLORS®

Comfort Colors® offers the ultimate comfort in clothes designed with a nature-inspired colour palette that inspires the soul. From the favourite Saturday morning tee to the cozy hoody for that chilly night, people love to get together and relax in Comfort Colors® apparel with that vintage look.

Over the past 40 years this brand has perfected the dyeing process, resulting in craftsmanship that is loved by our customers and unmatched in the industry. In 2018 Comfort Colors® will continue to lead the way with more styles and an even wider palette of simply irresistible hues.

GOLDTOE
EST. 1934

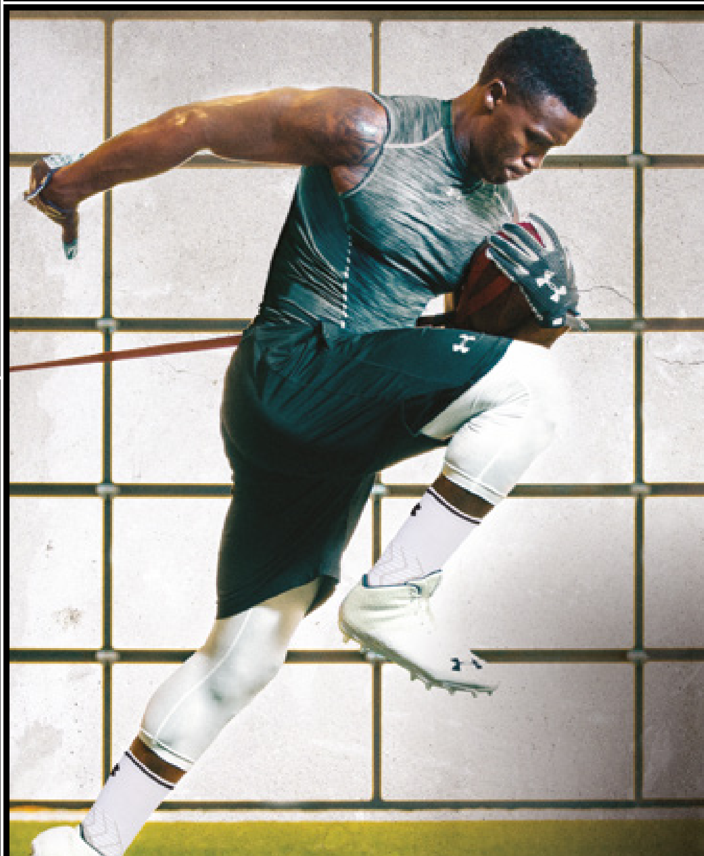
Created in 1934 built on the idea of adding gold linen yarns to the toe of the socks for durability, GOLDTOE® has been one of American's favourite socks for generations. GOLDTOE®'s collections have always delivered superior quality, fit and comfort, from classic blacks and browns to argyles, checks and patterns. New collections like the Harrington GoldToe® have expanded the brand's appeal to a wider range of consumers by delivering superior comfort cushioning, premium quality and inspiring styles to casual dress sock consumers. GOLDTOE® for women now includes a wide array of styles ranging from boot socks to leggings, always delivering softer feel, better quality and ultimate fit.

peds MediPeds

PEDS® continues to lead the way with socks and legwear for women and girls. The collections, which deliver premium features, new technologies and unparalleled style, are sold across several channels within the U.S. retail market. PEDS® is now the # 2 women's sock brand in the U.S.* MEDIPEDS® range of therapeutic products are specially engineered to provide a wide array of foot and leg solutions for a growing number of consumers with specific needs.

SECRET Silks Secret Silky

Our collection of legwear brands, Silks®, Secret® and Secret Silky® have redefined this category with new technologies, such as LYCRA® xtralife™, Xceptionelle and HIEQ Smart Temp. These innovations provide women durability and the freedom of movement while keeping them cool, dry and comfortable all day. We are driven to continue to revitalize the legwear industry in the North American marketplace, keeping women in step with the latest fashion and technology trends.



UNDER ARMOUR

As the official licensee of Under Armour® socks in North America, Gildan continues to drive innovation and superior performance with this industry-leading brand. Cutting-edge technology and advanced engineering are built into some of the world's highest performance socks for almost every sport.

*NPD TMM Data as of January 2018

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REPORT TO SHAREHOLDERS

February 23, 2018

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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.

This MD&A comments on our operations, financial performance and financial condition as at and for the years ended December 31, 2017 and January 1, 2017. 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 December 31, 2017 and the related notes.

In preparing this MD&A, we have taken into account all information available to us up to February 22, 2018, 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 on February 21, 2018.

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.

Additional information about Gildan, including our 2017 Annual Information Form, is available on our website at www.gildancorp.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”, "Operating results", “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;
- our ability to successfully integrate acquisitions and realize expected benefits and synergies;
- the intensity of competitive activity and our ability to compete effectively;
- changes in general economic and financial conditions globally or in one or more of the markets we serve;
- our reliance on a small number of significant customers;
- the fact that our customers do not commit to minimum quantity purchases;
- our ability to anticipate, identify, or react to changes in consumer preferences and trends;
- our ability to manage production and inventory levels effectively in relation to changes in customer demand;
- fluctuations and volatility in the price of raw materials used to manufacture our products, such as cotton, polyester fibres, dyes and other chemicals;
- our reliance on key suppliers and our ability to maintain an uninterrupted supply of raw materials and finished goods;
- the impact of climate, political, social and economic risks in the countries in which we operate or from which we source production;
- disruption to manufacturing and distribution activities due to such factors as operational issues, disruptions in transportation logistic functions, labour disruptions, political or social instability, bad weather, natural disasters, pandemics, and other unforeseen adverse events;
- compliance with applicable trade, competition, taxation, environmental, health and safety, product liability, employment, patent and trademark, corporate and securities, licensing and permits, data privacy, bankruptcy, anti-corruption and other laws and regulations in the jurisdictions in which we operate;
- the imposition of trade remedies, or changes to duties and tariffs, international trade legislation, bilateral and multilateral trade agreements and trade preference programs that the Company is currently relying on in conducting its operations or the application of safeguards thereunder;
- factors or circumstances that could increase our effective income tax rate, including the outcome of any tax audits or changes to applicable tax laws or treaties;
- changes to and failure to comply with consumer product safety laws and regulations;
- changes in our relationship with our employees or changes to domestic and foreign employment laws and regulations;
- negative publicity as a result of actual, alleged, or perceived violations of labour and environmental laws or international labour standards, or unethical labour or other business practices by the Company or one of its third-party contractors;
- changes in third-party licensing arrangements and licensed brands;
- our ability to protect our intellectual property rights;
- operational problems with our information systems as a result of system failures, viruses, security and cyber security breaches, disasters, and disruptions due to system upgrades or the integration of systems;
- an actual or perceived breach of data security;
- our reliance on key management and our ability to attract and/or retain key personnel;
- changes in accounting policies and estimates; and
- exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk, and interest rate risk, as well as risks arising from commodity prices.

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

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

3.0 OUR BUSINESS

3.1 Overview

Gildan is a leading manufacturer of everyday basic apparel which markets its products in North America, Europe, Asia-Pacific, and Latin America, under a diversified portfolio of Company-owned brands, including Gildan®, American Apparel®, Comfort Colors®, Gildan® Hammer™, Gold Toe®, Anvil®, Alstyle®, Secret®, Silks®, Kushyfoot®, Secret Silky®, Therapy Plus™, Peds® and MediPeds®, and under the Under Armour® brand through a sock licensing agreement providing exclusive distribution rights in the United States and Canada.

Gildan designs, manufactures, and markets activewear, underwear, socks, hosiery, and legwear products. Our products are sold to wholesale distributors, screenprinters or embellishers, as well as to retailers that sell to consumers through their physical stores and/or e-commerce platforms. In addition, we sell directly to consumers through our own direct-to-consumer platforms.

Since its formation, the Company has made significant capital investments in developing its own large-scale, low-cost vertically integrated supply chain, encompassing yarn production, textile manufacturing, and final product assembly. The vast majority of Gildan's manufacturing operations are internally run and are primarily located in Central America, the Caribbean Basin, North America, and Bangladesh. Running its own operations enables the Company to ensure it operates as a socially responsible manufacturer employing industry-leading labour and environmental practices in adherence to its comprehensive corporate social responsibility program, which is consistently applied across all geographies in which it has a presence.

3.1.1 Recent Developments

Effective January 1, 2018, the Company consolidated its organizational structure and implemented executive leadership changes to better leverage its go-to-market strategy across its brand portfolio and to drive greater operational efficiency across the organization. The Company combined its Printwear and Branded Apparel operating businesses into one consolidated divisional operating structure centralizing marketing, merchandising, sales, distribution, and administrative functions to better position the Company to capitalize on growth opportunities within the evolving industry landscape. The combination of the two operating businesses is intended to drive a leaner and more streamlined organization, which is expected to provide operational efficiencies as the Company leverages a common infrastructure to maximize the growth potential of its brands.

3.2 Operating segment reporting

For years ended December 31, 2017 and January 1, 2017, the Company managed and reported its business under two operating segments, Printwear and Branded Apparel, each of which was a reportable segment for financial reporting purposes with its own management that was accountable and responsible for the segment's operations, results, and financial performance. These segments were principally organized by the major customer markets they served.

The Printwear segment serviced wholesale distributors and screenprinters in imprintables markets in over 60 countries across North America, Europe, Asia-Pacific, and Latin America by distributing undecorated activewear products in large quantities primarily to this customer base. The Branded Apparel segment marketed branded family apparel, including socks, underwear, activewear, sheer hosiery, and shapewear products to retailers and consumers in the United States and Canada.

The Company is currently reviewing its operating segment reporting in order to reflect the new organizational structure (as discussed in section 3.1.1, "Recent Developments") under which the business will be managed, and expects to report under one reportable business segment going forward.

3.3 Our Operations

3.3.1 Brands, Products and Customers

We manufacture and market a broad range of basic apparel products across a diversified portfolio of brands sold to a customer base which includes wholesale distributors, screenprinters/embellishers, retailers, and individual consumers.

Our primary product categories generating the greater part of our sales include activewear, socks, underwear, and hosiery, the vast majority of which we manufacture. Some of the brands also extend to other categories such as intimates, shapewear, denim, and peripheral or fringe products like caps, totes, towels, and other accessories which are primarily sourced through third-party suppliers.

The majority of our activewear products are sold as “blanks” or undecorated, without imprints or embellishment. Our activewear products are primarily sold to wholesale distributors who buy our products and sell the blanks to screenprinters/embelishers who decorate the products with designs and logos and in turn 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. The activewear products have diverse applications, such as serving as work or school uniforms or athletic team wear or simply conveying individual, group, and team identity. In addition to activewear, as part of our basic family apparel product offering we sell socks and underwear for men, ladies, and kids, as well as hosiery, through various distribution tiers within the retail channel, including mass and dollar stores, department stores, national chains, sports specialty stores, craft stores, food and drug retailers, and price clubs, all of which sell to consumers. In addition, our products are sold to consumers through the e-commerce platforms of our retail customers and our own websites. The Company also manufactures products for select leading global athletic and lifestyle consumer brands against which our brands do not compete.

The following table summarizes our product and brand offerings:

Primary product categories	Product-line details	Brands
Activewear	T-shirts, fleece tops and bottoms, sport shirts	Gildan®, Gildan Performance®, Gildan Platinum®(1), Gildan® Hammer™, Smart Basics®, Comfort Colors®(2), American Apparel®, Anvil®, Alstyle®(2), Gold Toe®, Mossy Oak®(3)
Socks	athletic, dress, casual, workwear, legwear, therapeutic(5)	Gildan®, Gildan Platinum®(1), Smart Basics®, Under Armour®(4), Gold Toe®, PowerSox®, GT a Gold Toe Brand®, Silver Toe®, Signature Gold by Goldtoe®, Peds®, MediPeds®, Kushyfoot®(1), Therapy Plus®(1), All Pro®, Mossy Oak®(3)
Underwear	men's and boys' underwear (tops and bottoms), ladies panties	Gildan®, Gildan Platinum®(1),Smart Basics®, American Apparel®
Hosiery	sheer panty hose, tights, leggings	Secret®(1), Silks®(1), Secret Silky®, Peds®, American Apparel®
Intimates	ladies shapewear, intimates accessories	Secret®, American Apparel®
Other	To round out our product offerings for certain brands, we also offer other products, including but not limited to denim, jackets, sweaters, bodysuits, skirts, dresses, accessories, which are mainly sourced through third-party suppliers	

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

3.3.2 Manufacturing

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

All of our yarn-spinning operations are in the United States, where we manufacture the majority of the yarn used to produce our products. We have seven facilities, including two facilities which were acquired as part of the July 2017 acquisition of substantially all of the assets of Swift Spinning, Inc. We also use third-party yarn-spinning suppliers, primarily in the United States, to satisfy the remainder of our yarn requirements. Our largest manufacturing hub is in Central America, in Honduras, and is strategically located to efficiently service the quick replenishment requirements of our markets. In Honduras we have textile, sock, and sewing operations. We operate three large-scale, vertically integrated textile facilities at our Rio Nance complex in Honduras and we are currently developing an additional facility. We also own and operate another vertically integrated textile facility in Honduras outside of the Rio Nance complex. The majority of our socks are produced at our Rio Nance complex in two sock manufacturing facilities and we own and operate a sock manufacturing facility in Hildebran, North Carolina. Sheer hosiery manufacturing is located in a facility in Canada. The majority of the cut goods produced in the textile facilities in Central America are assembled in our sewing facilities located in Honduras and Nicaragua, mainly in leased premises. Also in Central America, we have screenprinting and decorating capabilities to support our sales to leading global athletic and lifestyle consumer brands, as well as garment-dyeing operations. In the Caribbean Basin, we operate a large-scale, vertically integrated textile facility in the Dominican Republic and assemble the cut goods from that facility at our sewing facilities in the Dominican Republic and at dedicated third-party sewing contractors in Haiti. Another manufacturing hub is based in Mexico, where we operate a large integrated textile, sewing, and distribution facility, as well as cut and sew facilities, all of which were acquired in 2016 as part of the Alstyle acquisition. We have increased capacity utilization at the Alstyle facility with the capability to significantly expand the facility's textile production capacity for basics going forward. In Bangladesh we own and operate a smaller vertically integrated manufacturing facility for the production of activewear primarily for international markets. While we internally produce the majority of the products we sell, we also have sourcing capabilities to complement our large scale, vertically integrated manufacturing.

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

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

(1) We also use third-party yarn-spinning suppliers, primarily in the U.S., to satisfy the remainder of our yarn requirements.
(2) We also use the services of third-party sewing contractors to satisfy the remainder of our sewing requirements.

3.3.3 Sales, marketing and distribution

Our primary sales and marketing office is located in Christ Church, Barbados, out of which we have established customer-related functions, including sales management, marketing, customer service, credit management, sales forecasting, and production planning, as well as inventory control and logistics. We also maintain other sales offices in the U.S. We distribute our products out of Company-operated large distribution centres in the United States, in Eden, NC, Charleston, SC, Jurupa Valley, CA, and other smaller facilities in the U.S. and Canada, as well as Company-owned distribution facilities in Honduras and Mexico. To supplement some of our distribution needs, we use third-party warehouses in the U.S., Canada, Mexico, Colombia, Europe, and Asia. In order to drive more efficient distribution operations, some distribution facilities ship exclusively full-case and truckload orders, while other distribution facilities are geared to support direct-to-consumer shipping, which is typically smaller orders which require pick-and-pack capabilities.

3.3.4 Employees and corporate office

We currently employ over 50,000 employees worldwide. Our corporate head office is located in Montreal, Canada.

3.4 Competitive environment

The basic apparel market for our products is highly competitive. Over the last few years, changing market dynamics, such as the growth in on-line shopping, weaker store traffic trends, and overall store shelf space reductions driven by retailer store closures have intensified competition but at the same time presented opportunities for potential growth. For instance, the growth of on-line shopping has reduced barriers to entry and provided greater opportunity for new brands to emerge as space limitation to sell products has diminished. At the same time, retailers and wholesale distributors have increasingly developed their own private label brands as a means of differentiation from their competitors.

Competition is generally based upon price, brand, quality, consistency of quality features, comfort, fit, style and service. We believe we differentiate ourselves from our competition with our expertise in designing, constructing, and operating large-scale, vertically integrated, and strategically-located manufacturing hubs. Having developed this skill set and made significant capital investments in our manufacturing infrastructure allows us to operate efficiently, remain cost-competitive, maintain consistent product quality, and provide a reliable supply chain with short production/delivery cycle times. Continued investment and innovations in our manufacturing has also enabled us to deliver enhanced product features, further improving the value proposition of our product offering to our customers. Operating as a socially responsible manufacturer is also an important competitive advantage and is an increasingly important purchase consideration for our customers. Owning and internally operating the vast majority of our manufacturing capacity allows us to exercise tighter control in how we operate and in ensuring we employ high standards for environmental and social responsibility practices. Distribution reach and capabilities are also key success factors, including the ability to provide quick and efficient fulfillment of large orders as well as small orders which are more typical in direct-to-consumer fulfillment. We have established efficient broad-based distribution operations to service the replenishment needs of all of our customers, be they wholesale distributors or big-box retailers who purchase in large quantities, or consumers, who purchase in small quantities.

We face competition from large and smaller U.S.-based and foreign manufacturers or suppliers of basic family apparel. Among the larger competing North American manufacturers are Fruit of the Loom, Inc., a subsidiary of Berkshire Hathaway Inc., which competes through its own offerings and those of its subsidiary, Russell Corporation, as well as Hanesbrands Inc. (Hanesbrands), both of which have manufacturing operations in similar geographies producing goods in the same basic apparel product categories and selling into North America and international markets. Other competitors that compete in specific product categories such as socks and underwear include Garan Incorporated, Renfro Corporation, Jockey International, Inc., Kayser Roth Corporation, and Spanx, Inc. We also compete with smaller U.S.-based competitors selling to or operating as wholesale distributors of imprintable activewear products, including Delta Apparel Inc., Color Image Apparel, Inc., Next Level Apparel, and Bella + Canvas, as well as Central American and Mexican manufacturers. Additionally, we compete with well-established U.S. fashion apparel and sportswear companies. Within the imprintables channel, competing brands include various private label brands controlled and sold by many of our customers. Similarly, within the retail channel and from an on-line perspective, we compete with some of our retail customers and pure-play e-commerce customers that market and sell basic apparel products under their private labels that compete directly with our brands.

4.0 STRATEGY AND OBJECTIVES

Our growth strategy is composed of the following strategic drivers:

4.1 Driving market leadership in imprintable fashion basics

We intend to continue to pursue growth in imprintable fashion basics. While the majority of the products we manufacture and market are considered basic, non-fashion apparel, and are replenishment-driven in nature, some of the brands under which we market our activewear products have more fashion and/or performance-driven elements. Within the imprintables channel, there are three brand positioning categories for activewear, namely “basics”, “fashion basics”, and “performance basics”. In basics, Gildan® is the leading brand. In more recent years, we have seen an acceleration of industry growth in the fashion basics and performance basics categories, due in part to end users shifting preference to lighter weight, softer fabrics (fashion basics), or garments offering attributes featuring moisture wicking and anti-microbial properties for long-lasting comfort and performance (performance basics). Fashion basics products are produced with higher quality ring-spun yarns in cotton and/or blended yarn fibres and may feature more fitted silhouettes, side seam stitching, and stretch attributes, among other characteristics. Currently, our share in these categories is not as high as in basics. Over the last few years, we have developed and acquired brands which are well positioned to drive growth in these categories. We have also invested in developing our own yarn-spinning manufacturing facilities, thereby securing our own cost-effective ring-spun yarn supply. In the fashion basics category, we sell our products under the Gildan® and Gildan® Hammer™ brands, as part of our opening-price-point offering, the Anvil® brand, the American Apparel® brand, which is positioned as a premium brand in fashion basics, and the Comfort Colors® brand, also a premium brand, featuring garment-dyed activewear products. In the sports performance category, we market our products under our Gildan Performance® brand offering. With strong brand positioning in these categories supported by cost-effective manufacturing operations, including yarn capabilities, we believe we are well positioned to drive further share penetration within imprintable fashion and performance basics.

4.2 Leveraging brand portfolio across channels, geographies, and e-commerce platforms

We are targeting to grow our sales by leveraging our brand portfolio across channels of distribution, geographical regions, and across our e-commerce infrastructure and on-line platforms of our customers. In addition, we believe we can leverage our extensive distribution network and capabilities to broaden the customer base and reach of our brands. Growth in on-line shopping is changing the overall market landscape. Printwear and retail channels are converging, accessibility to consumers and end-users through e-commerce is increasing, and "space" to market products on-line is not a limiting factor for growth as in the traditional brick and mortar retailer channel. Consequently, e-commerce is creating opportunities for our brands and is an area of focus and investment for the Company, including investments in enhancing direct-to-consumer distribution capabilities. At the same time, we are seeing a resurgence of private label brands by traditional retailers or wholesale distributors trying to differentiate their offerings and enhance profitability. While continuing to focus on our own brands, in light of the rising trend of retailers growing their own private label brands, the Company would consider supplying retailers with product for retailer private label programs which meet certain criteria, including size of program, financial return targets, terms of agreement, and working capital investment requirements among other factors of consideration. We have also developed strong relationships with, and are targeting to grow our sales as a supply chain partner to, a small number of select leading global athletic and lifestyle brands for which we manufacture products, but against which our brands do not compete.

4.3 Growing internationally

We are pursuing further growth in international markets where we estimate that the addressable market opportunity is large. Currently our sales outside the United States and Canada represent less than 10% of our total consolidated net sales. Our market presence internationally is focused in Europe, Asia-Pacific, and Latin America. We intend to continue to pursue further sales growth by leveraging the extensive breadth of our U.S. product line to further develop and widen our international product offering. Our current sales base has been established primarily through the sale of products marketed mainly under the Gildan® brand. We believe that, as the Company has and continues to build out its portfolio of brands, a number of our other brands, such as the Anvil®, American Apparel®, and Comfort Colors® brands, among others, can be well positioned to grow internationally by selling to wholesale distributors and screenprinters or embellishers, and directly to consumers through our own e-commerce platforms and international online retailers.

4.4 Further leveraging manufacturing infrastructure and enhancing distribution capabilities

We plan to continue to increase capacity to support our sales growth and to optimize our cost structure by investing in projects for cost reduction and further vertical integration. This will also support additional product quality enhancements. Specifically, we are currently investing in textile capacity and technology to enhance our capabilities in the production of fashion and performance garments where we expect a greater opportunity for growth. We are also evaluating opportunities to optimize production in existing facilities, which may contribute to increased capacity or cost reduction opportunities. The Company's current plans in expanding its manufacturing capacity include the development of a new facility in Honduras, Rio Nance 6, and the further ramp-up of production at its Mexican facility in Agua Prieta which was acquired as part of the Alstyle acquisition.

We have established extensive distribution operations worldwide through internally managed and operated distribution centres and through third-party logistics providers. In the context of a market landscape where e-commerce is growing quickly and where the Company plans to pursue this opportunity both domestically and internationally, we are investing in enhancing our direct-to-consumer fulfillment capabilities and speed to market. At the same time, we are evaluating our current infrastructure for potential opportunities for consolidation to drive operational efficiencies and/or to extend our reach by establishing capabilities in various geographies.

4.5 Pursue acquisitions to complement organic growth

We have established a capital allocation framework intended to enhance sales and earnings growth and shareholder returns. Beyond our dividend, our first priority for the use of free cash flow and debt financing capacity is completing complementary strategic acquisitions which meet our criteria. We have developed criteria for evaluating acquisition opportunities around three main considerations: (1) strategic fit; (2) ease of integration; and (3) financial targets, including return on investment thresholds, based on our risk-adjusted cost of capital.

Beyond dividends and acquisitions, when appropriate, we intend to use excess cash to repurchase shares under normal course issuer bid programs. The Company has set a net debt leverage target ratio of one to two times pro-forma adjusted EBITDA for the trailing twelve months, which it believes will provide an efficient capital structure and a framework within which it can execute on its capital allocation priorities.

5.0 OPERATING RESULTS

This MD&A comments on our operations, financial performance and financial condition as at and for the fiscal year ended December 31, 2017 (Fiscal 2017) and the fiscal year ended January 1, 2017 (Fiscal 2016). Fiscal 2015 refers to the 15-month transition period ended January 3, 2016, as the Company transitioned in fiscal 2015 to a new fiscal year end (the Sunday closest to December 31, rather than the first Sunday following September 28).

5.1 Non-GAAP financial measures

We use non-GAAP financial measures (non-GAAP measures) to assess our operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. We use non-GAAP measures including adjusted net earnings, adjusted diluted EPS, adjusted operating income, adjusted operating margin, adjusted EBITDA, free cash flow, total indebtedness, net indebtedness (total indebtedness net of cash and cash equivalents), and net debt leverage ratio to measure our performance and financial condition from one period to the next, which excludes 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

5.2.1 American Apparel

On February 8, 2017, the Company acquired the American Apparel® brand and certain assets from American Apparel, LLC, (American Apparel), which filed for Chapter 11 bankruptcy protection on November 14, 2016. The acquisition was effected through a court supervised auction during which Gildan emerged as the successful bidder with a final cash bid of $88.0 million. The Company also acquired inventory from American Apparel for approximately $10.5 million. The total consideration transferred for this acquisition was therefore $98.5 million (of which $91.9 million was paid in fiscal 2017 and $6.6 million was paid in the fourth quarter of fiscal 2016). The acquisition was financed by the utilization of the Company's long-term bank credit facilities. The American Apparel® brand is a highly recognized brand among consumers and within the North American printwear channel and is a strong complementary addition to Gildan's growing brand portfolio. The acquisition provides the opportunity to grow American Apparel® sales by leveraging the Company's extensive printwear distribution networks in North America and internationally to drive further share in the fashion basics category of these markets. The audited annual consolidated financial statements for the year ended December 31, 2017 include the results of American Apparel from February 8, 2017 to December 31, 2017. The results of American Apparel are included in the Printwear segment.

5.2.2 Other

On July 17, 2017, the Company acquired substantially all of the assets of a ring-spun yarn manufacturer with two facilities located in Columbus, Georgia for cash consideration of $13.5 million, including a balance due of $1.3 million to be paid within eighteen months of closing. The transaction also resulted in the effective settlement of $1.2 million of trade accounts payable owed by Gildan to the manufacturer prior to the acquisition.

On April 4, 2017, the Company acquired a 100% interest in an Australian based activewear distributor for cash consideration of $5.7 million. The transaction also resulted in the effective settlement of $2.9 million of trade accounts receivable due to Gildan prior to the acquisition.

The Company accounted for its acquisitions using the acquisition method in accordance with IFRS 3, Business Combinations. The Company determined the fair value of the assets acquired 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 of the audited annual consolidated financial statements for the year ended December 31, 2017 for a summary of the amounts recognized for the assets acquired at the date of acquisition and for post-acquisition and pro-forma net sales and net earnings disclosures.

5.3 Selected annual information

(in $ millions, except per share amounts or otherwise indicated)	**2017**	2016	2015	**Variation 2017-2016 $**	**%**	Variation 2016-2015 $	%
			(15 months)				
Net sales	**2,750.8**	2,585.1	2,959.2	**165.7**	**6.4 %**	(374.1)	(12.6)%
Gross profit	**801.2**	719.7	730.1	**81.5**	**11.3 %**	(10.4)	(1.4)%
SG&A expenses	**377.3**	336.4	388.0	**40.9**	**12.2 %**	(51.6)	(13.3)%
Restructuring and acquisition-related costs	**22.9**	11.7	14.9	**11.2**	**95.7 %**	(3.2)	(21.5)%
Operating income	**401.0**	371.5	327.2	**29.5**	**7.9 %**	44.3	13.5 %
Adjusted operating income(1)	**423.9**	383.2	342.1	**40.7**	**10.6 %**	41.1	12.0 %
Adjusted EBITDA(1)	**586.1**	523.8	488.5	**62.3**	**11.9 %**	35.3	7.2 %
Financial expenses	**24.2**	19.7	17.8	**4.5**	**22.8 %**	1.9	10.7 %
Income tax expense	**14.5**	5.2	4.5	**9.3**	**178.8 %**	0.7	15.6 %
Net earnings	**362.3**	346.6	304.9	**15.7**	**4.5 %**	41.7	13.7 %
Adjusted net earnings(1)	**386.9**	356.3	317.8	**30.6**	**8.6 %**	38.5	12.1 %
Basic EPS	**1.62**	1.47	1.26	**0.15**	**10.2 %**	0.21	16.7 %
Diluted EPS	**1.61**	1.47	1.25	**0.14**	**9.5 %**	0.22	17.6 %
Adjusted diluted EPS(1)	**1.72**	1.51	1.30	**0.21**	**13.9 %**	0.21	16.2 %
Gross margin	**29.1%**	27.8%	24.7%	**n/a**	**1.3 pp**	n/a	3.1 pp
SG&A expenses as a percentage of sales	**13.7%**	13.0%	13.1%	**n/a**	**0.7 pp**	n/a	(0.1) pp
Operating margin	**14.6%**	14.4%	11.1%	**n/a**	**0.2 pp**	n/a	3.3 pp
Adjusted operating margin (1)	**15.4%**	14.8%	11.6%	**n/a**	**0.6 pp**	n/a	3.2 pp
Total assets	**2,980.7**	2,990.1	2,834.3	**(9.4)**	**(0.3)%**	155.8	5.5 %
Total non-current financial liabilities	**630.0**	600.0	380.9	**30.0**	**5.0 %**	219.1	57.5 %
Annual cash dividends declared per common share	**0.374**	0.312	0.325	**0.062**	**19.9 %**	(0.013)	(4.0)%

n/a = not applicable

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

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

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

5.4 Consolidated operating review

5.4.1 Net sales

(in $ millions, or otherwise indicated)	**2017**	2016	2015	**Variation 2017-2016 $**	**%**	Variation 2016-2015 $	%
			(15 months)				
Segmented net sales							
Printwear	**1,822.0**	1,651.1	1,794.8	**170.9**	**10.4 %**	(143.7)	(8.0)%
Branded Apparel	**928.8**	934.0	1,164.5	**(5.2)**	**(0.6)%**	(230.5)	(19.8)%
Total net sales	**2,750.8**	2,585.1	2,959.3	**165.7**	**6.4 %**	(374.2)	(12.6)%

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

Fiscal 2017 compared to Fiscal 2016
The $165.7 million, or 6.4%, increase in consolidated net sales was due to a 10.4% increase in Printwear segment sales, while Branded Apparel sales were slightly down from the prior year's level. Sales growth in 2017 included an incremental sales contribution of approximately $133 million from the 2016 acquisitions of Alstyle and Peds and the American Apparel acquisition, which was completed on February 8, 2017. Additionally, the increase in sales over the prior year reflected higher net selling prices, double-digit organic unit sales volume growth in fashion and performance basics, favourable Printwear product mix, higher underwear sales volumes, and increased shipments in international markets, partially offset by lower unit sales of socks and activewear basics, and unfavourable foreign exchange.

Net sales for fiscal 2017 were in line with the Company’s sales guidance provided on November 2, 2017, projecting sales growth in the mid to high single-digit range, as higher than anticipated unit sales volumes of Printwear products in the fourth quarter of 2017 offset lower than anticipated unit sales volumes in Branded Apparel.

Fiscal 2016 compared to Fiscal 2015
The $374.2 million decrease in net sales was mainly due to the inclusion of three additional months of sales in fiscal 2015, which was a 15-month transition period due to the Company's change in fiscal year end. On a calendar year basis, net sales for 2016 were up $16.5 million compared to same period in 2015 due to the approximate $119 million impact of the Alstyle and Peds acquisitions, the benefit of positive point of sales (POS) growth in Printwear, and organic sales growth in Branded Apparel excluding the exit of private label programs. The impact of these positive factors more than offset lower Printwear net selling prices, lower retailer inventory replenishment, the non-recurrence of distributor inventory re-stocking in 2015 and the planned exit of approximately $65 million in retailer private label programs combined with unfavourable foreign currency exchange and product mix.

5.4.2 Gross profit

(in $ millions, or otherwise indicated)	**2017**	2016	2015	**Variation 2017-2016**	Variation 2016-2015
			(15 months)		
Gross profit	**801.2**	719.7	730.1	**81.5**	(10.4)
Gross margin	**29.1%**	27.8%	24.7%	**1.3 pp**	3.1 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 2017 compared to fiscal 2016

Gross margin increased by 130 basis points in fiscal 2017 over the prior year, mainly due to higher net selling prices and a richer Printwear product mix resulting from higher sales of fashion basics and fleece products, partly offset by unfavourable product mix in Branded Apparel due to lower sales of higher margin sock products.

Fiscal 2016 compared to fiscal 2015

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

5.4.3 Selling, general and administrative expenses

(in $ millions, or otherwise indicated)	**2017**	2016	2015	**Variation 2017-2016**	Variation 2016-2015
			(15 months)		
SG&A expenses	**377.3**	336.4	388.0	**40.9**	(51.6)
SG&A expenses as a percentage of sales	**13.7%**	13.0%	13.1%	**0.7 pp**	(0.1) pp

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

Fiscal 2017 compared to fiscal 2016

The increase in selling, general and administrative expenses (SG&A) in 2017 compared to 2016 was mainly due to the impact of acquisitions and other expenses, including distribution and e-commerce costs, as well as higher variable compensation expenses.

Fiscal 2016 compared to fiscal 2015

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

5.4.4 Restructuring and acquisition-related costs

(in $ millions)	**2017**	2016	2015	**Variation 2017-2016**	Variation 2016-2015
			(15 months)		
Employee termination and benefit costs	**4.0**	5.0	5.0	**(1.0)**	—
Exit, relocation and other costs	**13.8**	7.9	8.5	**5.9**	(0.6)
Loss on disposal of PPE related to exit activities	**0.9**	1.1	0.2	**(0.2)**	0.9
Loss (gain) on disposal or transfer of assets held for sale	**—**	0.6	(1.0)	**(0.6)**	1.6
Remeasurement of contingent consideration in connection with a business acquisition	**—**	(6.2)	1.1	**6.2**	(7.3)
Acquisition-related transaction costs	**4.2**	3.3	1.1	**0.9**	2.2
Restructuring and acquisition-related costs	**22.9**	11.7	14.9	**11.2**	(3.2)

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

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

Restructuring and acquisition-related costs in fiscal 2017 related primarily to the following: the American Apparel business acquisition, including transaction costs and integration costs relating to the relocation of acquired assets and the re-launching of this brand's direct-to-consumer e-commerce site; the consolidation of the Company's West Coast distribution centres for Printwear brands pursuant to the acquisitions of American Apparel and Alstyle; the Company's internal organizational realignment of its Branded Apparel business unit, including severance costs, legal fees, and other professional fees; the rationalization of the Company's remaining retail store outlets, including lease exit costs, severance costs, and the write-off of leasehold improvement assets; transaction costs relating to other business acquisitions completed or evaluated during fiscal 2017; and the completion of the integration of prior years' business acquisitions, primarily for the integration of Alstyle and Peds.

Restructuring and acquisition-related costs in fiscal 2016 related primarily to costs incurred in connection with the integration of acquired businesses, including the Alstyle and Peds acquisitions, the completion of the integration of other businesses acquired in previous years, involving consolidation of customer service, distribution, and administrative functions, and costs incurred in connection with the rationalization of our retail store outlets as part of our overall direct-to-consumer channel strategy. Restructuring and acquisition-related costs also included transaction costs related to the acquisitions of Alstyle and Peds. Restructuring and acquisition-related costs were partially offset by a gain on the re-measurement of the fair value of contingent consideration in connection with the Doris acquisition.

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

5.4.5 Operating income and adjusted operating income

(in $ millions, or otherwise indicated)	**2017**	2016	2015	**Variation 2017-2016**	Variation 2016-2015
			(15 months)		
Operating income	**401.0**	371.5	327.2	**29.5**	44.3
Adjustment for:					
Restructuring and acquisition-related costs	**22.9**	11.7	14.9	**11.2**	(3.2)
Adjusted operating income(1)	**423.9**	383.2	342.1	**40.7**	41.1
Operating margin	**14.6%**	14.4%	11.1%	**0.2 pp**	3.3 pp
Adjusted operating margin(1)	**15.4%**	14.8%	11.6%	**0.6 pp**	3.2 pp

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

Fiscal 2017 compared to fiscal 2016

The increase in operating income in 2017 compared to 2016 was mainly due to the increase in gross profit, partially offset by higher SG&A expenses and higher restructuring and acquisition-related costs. Excluding the impact of restructuring and acquisition-related costs, adjusted operating margin in 2017 was up 60 basis points driven by higher gross margin in the year, partially offset by higher SG&A expenses as a percentage of sales.

Fiscal 2016 compared to fiscal 2015

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

5.4.6 Financial expenses, net

(in $ millions)	**2017**	2016	2015	**Variation 2017-2016**	Variation 2016-2015
			(15 months)		
Interest expense on financial liabilities recorded at amortized cost	**17.1**	12.6	8.6	**4.5**	4.0
Bank and other financial charges	**8.0**	6.3	4.7	**1.7**	1.6
Interest accretion on discounted provisions	**0.3**	0.3	0.4	**—**	(0.1)
Foreign exchange loss (gain)	**(1.3)**	0.4	4.0	**(1.7)**	(3.6)
Financial expenses, net	**24.1**	19.6	17.7	**4.5**	1.9

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

Fiscal 2017 compared to fiscal 2016

The increase in net financial expenses in fiscal 2017 compared to fiscal 2016 was due to higher interest expense as a result of slightly higher borrowing levels and higher effective interest rates on our long-term debt relating mainly to higher U.S. short-term interest rates and the interest rates on the notes payable that were issued in August 2016 as described under "Liquidity and capital resources" in section 8.0 of this MD&A. Bank and other financial charges increased in fiscal 2017 compared to fiscal 2016 due to the amortization of financing fees incurred in connection with the new debt issuances in fiscal 2016 and discount fees related to the sales of trade accounts receivables. Foreign exchange gains for fiscal 2017 relate primarily to the revaluation of net monetary assets denominated in foreign currencies.

Fiscal 2016 compared to fiscal 2015

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

5.4.7 Income taxes

The Company's average effective tax rate is calculated as follows:

(in $ millions, or otherwise indicated)	**2017**	2016	2015	**Variation 2017-2016**	Variation 2016-2015
			(15 months)		
Earnings before income taxes	**376.8**	351.8	309.4	**25.0**	42.4
Income tax expense	**14.5**	5.2	4.5	**9.3**	0.7
Average effective income tax rate	**3.8%**	1.5%	1.5%	**2.3 pp**	—

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

Fiscal 2017 compared to fiscal 2016

The higher income tax expense and average effective tax rate compared to last year were in part due to higher operating profits earned in higher tax rate jurisdictions compared to last year. In addition, the fiscal 2017 income tax expense included $1.6 million of income tax recoveries relating to prior taxation years, compared with $4.8 million of prior year income tax recoveries in fiscal 2016. As a result of the internal reorganization referred to in section 3.1.1 of this annual MD&A, the Company revalued and reassessed the deferred tax liabilities and deferred tax assets in the respective jurisdictions affected, resulting in an increase in net deferred tax expense of $3.3 million. There was no corresponding amount for fiscal 2016. Fiscal 2016 also reflected an income tax recovery on restructuring and acquisition-related costs of $2.0 million.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (U.S. Tax Reform). The U.S. Tax Reform reduces the statutory federal corporate income tax rate from 35% to 21% effective January 1, 2018, and makes other changes to U.S. corporate tax laws. During the fourth quarter of fiscal 2017, the Company revalued the net deferred tax liability position in its U.S. subsidiaries, to reflect the change in the statutory federal corporate income tax rate that will take effect in 2018, resulting in an income tax recovery of $1.6 million.

Fiscal 2016 compared to fiscal 2015

The income tax expense and average effective income tax rate for fiscal 2016 were comparable to the respective amounts for fiscal 2015. The income tax expense for both years is net of tax recoveries and adjustments related to prior taxation years of $4.8 million for fiscal 2016 and $5.1 million for fiscal 2015 and an income tax recovery of $2.0 million related to restructuring and acquisition-related costs for both years.

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

(in $ millions, except per share amounts)	**2017**	2016	2015	**Variation 2017-2016**	Variation 2016-2015
			(15 months)		
Net earnings	**362.3**	346.6	304.9	**15.7**	41.7
Adjustments for:					
Restructuring and acquisition-related costs	**22.9**	11.7	14.9	**11.2**	(3.2)
Income tax expense (recovery) on restructuring and acquisition-related costs and U.S. Tax Reform	**1.7**	(2.0)	(2.0)	**3.7**	—
Adjusted net earnings(1)	**386.9**	356.3	317.8	**30.6**	38.5
Basic EPS	**1.62**	1.47	1.26	**0.15**	0.21
Diluted EPS	**1.61**	1.47	1.25	**0.14**	0.22
Adjusted diluted EPS(1)	**1.72**	1.51	1.30	**0.21**	0.21

(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 2017 compared to fiscal 2016

The increases in net earnings and adjusted net earnings were due to higher operating income, partially offset by higher financial expenses and a higher income tax expense. Additionally, diluted EPS and adjusted diluted EPS reflected the benefit of share repurchases.

Adjusted diluted EPS of $1.72 was at the top end of the Company's guidance provided on November 2, 2017.

Fiscal 2016 compared to fiscal 2015

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

On a calendar year basis, net earnings and adjusted net earnings for 2016 were essentially flat compared to the same period in 2015, as slightly higher operating income and slightly lower income taxes were offset by higher financial expenses. The increase in adjusted diluted EPS for fiscal 2016 compared to the same period in 2015 was primarily due to the favourable impact of share repurchases under the Company's NCIB during 2016, as discussed in section 8.6 of this MD&A.

5.5 Segmented operating review

(in $ millions, or otherwise indicated)	**2017**	2016	Variation $	Variation %
Segmented net sales:				
Printwear	**1,822.0**	1,651.1	170.9	10.4 %
Branded Apparel	**928.8**	934.0	(5.2)	(0.6)%
Total net sales	**2,750.8**	2,585.1	165.7	6.4 %
Segment operating income:				
Printwear	**438.3**	388.1	50.2	12.9 %
Branded Apparel	**86.6**	85.4	1.2	1.4 %
Total segment operating income	**524.9**	473.5	51.4	10.9 %
Amortization of intangible assets, excluding software	**(20.8)**	(18.1)	(2.7)	14.9 %
Corporate expenses	**(80.2)**	(72.1)	(8.1)	11.2 %
Restructuring and acquisition-related costs	**(22.9)**	(11.7)	(11.2)	95.7 %
Total operating income	**401.0**	371.6	29.4	7.9 %

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

	2017	2016	Variation
Segment operating margin:			
Printwear	**24.1%**	23.5%	0.6 pp
Branded Apparel	**9.3%**	9.1%	0.2 pp

5.5.1 Printwear

Net sales

The $170.9 million, or 10.4% increase in Printwear sales in 2017 over the prior year was mainly due to an incremental sales contribution of approximately $94 million from the combined acquisitions of Alstyle and American Apparel, higher net selling prices, and double-digit organic unit sales volume growth in fashion and performance basics, which translated to favourable product mix and increased shipments in international markets. These positive factors were partly offset by lower unit sales of basics and unfavourable foreign exchange.

Printwear sales growth of 10.4% was above the Company's guidance provided on November 2, 2017, projecting high single-digit Printwear sales growth primarily as a result of higher than anticipated sales volumes in the fourth quarter.

Operating income

The $50.2 million increase in Printwear operating income in 2017 compared to 2016 was driven by increased sales and higher operating margin. The 60 basis point improvement in Printwear operating margin was primarily due to the benefit of higher net selling prices and favourable product mix reflecting higher sales of fashion basics and fleece products, partially offset by higher SG&A expenses primarily related to acquisitions and other expenses, including distribution and e-commerce costs.

5.5.2 Branded Apparel

Net sales

The $5.2 million decrease in Branded Apparel sales in 2017 compared to fiscal 2016 was mainly due to lower sock sales and the impact from the planned exit of private label programs. These factors more than offset the benefit of higher sales in underwear and the incremental sales contribution of approximately $39 million from the Peds acquisition which was completed in the third quarter of 2016. Branded Apparel segment sales were below the Company's guidance which projected low single-digit growth, primarily as a result of lower than anticipated unit sales volumes of socks.

Operating income

Branded Apparel operating income and operating margin in 2017 was slightly higher than in 2016. The 20 basis point improvement in Branded Apparel operating margin in 2017 was primarily due to higher net selling prices and the benefit of manufacturing cost reductions, which more than offset unfavourable product mix driven by lower sales of higher margin sock products, while SG&A expenses as a percentage of sales were flat compared to last year, despite lower unit sales volumes.

5.6 Summary of quarterly results

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

For the three months ended *(in $ millions, except per share amounts)*	**Dec 31, 2017**	Oct 1, 2017	Jul 2, 2017	Apr 2, 2017 (1)	Jan 1, 2017	Oct 2, 2016 (2)	Jul 3, 2016 (3)	Apr 3, 2016
Net sales	**653.7**	716.4	715.4	665.4	587.9	715.0	688.9	593.3
Net earnings	**54.9**	116.1	107.7	83.5	74.3	114.4	94.7	63.2
Net earnings per share								
Basic(4)	**0.25**	0.52	0.48	0.36	0.32	0.49	0.40	0.26
Diluted(4)	**0.25**	0.52	0.48	0.36	0.32	0.49	0.40	0.26
Weighted average number of shares outstanding *(in '000s)*								
Basic	**219,387**	223,017	224,859	229,474	231,364	231,924	235,496	242,637
Diluted	**219,758**	223,481	225,389	229,943	231,855	232,715	236,272	243,355

(1) Reflects the acquisition of American Apparel from February 8, 2017.

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

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

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

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. For our Printwear segment, historically, demand for T-shirts is lowest in the fourth quarter and highest in the second 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 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. These seasonal sales trends of our business also result in fluctuations in our inventory levels throughout the year.

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

Business acquisitions may affect the comparability of results. As noted in the table under "Summary of quarterly results", the quarterly financial data reflect results of companies acquired from their effective date of acquisition. 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 Annual MD&A contains a discussion of costs related to the Company's restructuring activities and business acquisitions.

Our reported amounts for net sales, cost of sales, SG&A expenses, and financial expenses/income are impacted by fluctuations in certain currencies versus the U.S. dollar as described in section 11 entitled the "Financial risk management" in this annual MD&A. The Company periodically uses derivative financial instruments to manage risks related to fluctuations in foreign exchange rates.

5.7 Fourth quarter operating results

For the three months ended *(in $ millions, except per share amounts or otherwise indicated)*	**December 31, 2017**	January 1, 2017	Variation $	Variation %
Net sales	**653.7**	587.9	65.8	11.2 %
Gross profit	**177.0**	156.9	20.1	12.8 %
SG&A expenses	**103.9**	86.8	17.1	19.7 %
Restructuring and acquisition-related costs	**11.0**	0.2	10.8	n.m.
Operating income	**62.0**	69.8	(7.8)	(11.2)%
Adjusted operating income(1)	**73.0**	70.0	3.0	4.3 %
Adjusted EBITDA(1)	**114.0**	102.6	11.4	11.1 %
Financial expenses	**5.9**	5.8	0.1	1.7 %
Income tax expense (recovery)	**1.2**	(10.3)	11.5	n.m.
Net earnings	**54.9**	74.3	(19.4)	(26.1)%
Adjusted net earnings(1)	**67.6**	74.5	(6.9)	(9.3)%
Basic EPS	**0.25**	0.32	(0.07)	(21.9)%
Diluted EPS	**0.25**	0.32	(0.07)	(21.9)%
Adjusted diluted EPS(1)	**0.31**	0.32	(0.01)	(3.1)%
Gross margin	**27.1%**	26.7%	n/a	0.4 pp
SG&A expenses as a percentage of sales	**15.9%**	14.8%	n/a	1.1 pp
Operating margin	**9.5%**	11.9%	n/a	(2.4) pp
Adjusted operating margin(1)	**11.2%**	11.9%	n/a	(0.7) pp

n.m. = not meaningful
n/a - not applicable
(1) See section 17.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.
All earnings per share data and share data reflect the effect of the two-for-one stock split which took effect on March 27, 2015.

For the three months ended *(in $ millions, or otherwise indicated)*	**December 31, 2017**	January 1, 2017	Variation $	Variation %
Segmented net sales:				
Printwear	**415.6**	325.8	89.8	27.6 %
Branded Apparel	**238.1**	262.1	(24.0)	(9.2)%
Total net sales	**653.7**	587.9	65.8	11.2 %
Segment operating income:				
Printwear	**82.8**	68.6	14.2	20.7 %
Branded Apparel	**16.8**	24.0	(7.2)	(30.0)%
Total segment operating income	**99.6**	92.6	7.0	7.6 %
Amortization of intangible assets, excluding software	**(5.0)**	(4.7)	(0.3)	6.4 %
Corporate expenses	**(21.6)**	(17.7)	(3.9)	22.0 %
Restructuring and acquisition-related costs	**(11.0)**	(0.2)	(10.8)	n.m.
Total operating income	**62.0**	70.0	(8.0)	(11.4)%

n.m. = not meaningful

For the three months ended	**December 31, 2017**	January 1, 2017	Variation $	Variation %
Segment operating margin:				
Printwear	**19.9%**	21.0%	n/a	(1.1) pp
Branded Apparel	**7.1%**	9.1%	n/a	(2.0) pp

n/a - not applicable

Consolidated net sales of $653.7 million for the fourth quarter of 2017 increased 11.2% compared to the corresponding quarter in 2016 and reflected a sales increase of 27.6% in the Printwear segment, including the impact of the acquisition of American Apparel, partly offset by a decline of 9.2% in Branded Apparel.

The Printwear business delivered strong double-digit sales growth in the fourth quarter of 2017. Printwear sales in the fourth quarter of 2017 were $415.6 million, up 27.6% from $325.8 million in the fourth quarter of 2016 primarily due to strong unit sales volume growth in both domestic and international markets, the benefit of favourable product mix, a $16.6 million sales contribution from American Apparel, and higher net selling prices compared to the fourth quarter in 2016. Excluding the impact of the American Apparel acquisition, sales in the quarter increased 22.5% organically. While we continued to see growth momentum in fashion basics, unit volumes for basics were also up in the quarter and included strong fleece shipments as we anticipated.

Net sales for the Branded Apparel segment in the quarter were $238.1 million, down 9.2% from $262.1 million in the fourth quarter of 2016 mainly due to lower unit sales volumes of socks and activewear, unfavourable product mix driven by a lower proportion of sales of higher-priced socks and activewear, and the impact of the planned exit of certain private label programs, partly offset by increased underwear sales and higher net selling prices.

Consolidated gross margin in the fourth quarter increased 40 basis points to 27.1% compared to the prior year quarter. The increase was mainly due to higher net selling prices and favourable product mix in Printwear, partly offset by unfavourable product mix in Branded Apparel, higher raw material costs, and the impact of additional manufacturing expenses of approximately $6 million, or 95 basis points of gross margin resulting from temporary production interruptions related to the recent election in Honduras.

Consolidated SG&A expenses as a percentage of sales were 15.9%, up from 14.8% in the fourth quarter last year, primarily due to the impact of the American Apparel acquisition, lower fixed cost absorption in Branded Apparel, and higher distribution and e-commerce expenses.

The Company incurred $11.0 million of restructuring and acquisition-related costs in the fourth quarter of 2017 primarily associated with the Company's organizational consolidation, as well as integration costs related to current and prior year acquisitions. As part of the organizational realignment, we incurred costs in connection with the combination of our Printwear and Branded Apparel divisions, consolidating marketing, merchandising, sales, and administrative functions, and further refining our direct-to-consumer approach, including the rationalization of our retail store outlets.

Consolidated operating margin and adjusted operating margin in the fourth quarter of 2017 were 9.5% and 11.2%, respectively, down from consolidated operating margin and adjusted operating margin of 11.9% in the fourth quarter of 2016, as the benefit of higher gross margin was offset by higher SG&A as a percentage of sales.

Operating income in Printwear for the three months ended December 31, 2017 totaled $82.8 million, up 20.7% compared to $68.6 million in the fourth quarter of 2016, driven by the increase in sales. Operating margins were 19.9% in the fourth quarter of 2017, down 110 basis points over the same quarter last year primarily due to higher raw material costs, expenses related to unanticipated production shut downs, as well as increased SG&A expenses due to the American Apparel acquisition, higher distribution costs, and expenses related to the further development of our e-commerce infrastructure. These factors were partly offset by the benefit of more favourable product mix driven by the strong growth in fashion basics and a higher proportion of fleece shipments, as well as the benefit of higher net selling prices.

For the three months ended December 31, 2017, operating income in Branded Apparel was $16.8 million, down from $24.0 million in the same quarter last year due to lower sales volumes and a lower operating margin. Branded Apparel operating margins for the quarter were 7.1%, down from 9.1% in the same quarter last year. The operating margin decline was primarily due to the impact of unfavourable product mix, higher raw material costs, and SG&A de-leverage resulting from the decline in sales.

Net earnings totaled $54.9 million or $0.25 per share on a diluted basis for the three months ended December 31, 2017, compared with net earnings of $74.3 million or $0.32 per share for the three months ended January 1, 2017. Excluding after-tax restructuring and acquisition-related costs of $12.7 million in the fourth quarter and $0.2 million in the same quarter last year, Gildan reported adjusted net earnings of $67.6 million, or $0.31 per share on a diluted basis for the fourth quarter of 2017, down from $74.5 million, or $0.32 per share in the prior year quarter. The decline in adjusted diluted EPS versus the prior year was primarily due to the expected non-recurrence of the income tax recovery in the fourth quarter of 2016.

6.0 FINANCIAL CONDITION

6.1 Current assets and current liabilities

(in $ millions)	**December 31, 2017**	January 1, 2017	Variation
Cash and cash equivalents	**52.8**	38.2	14.6
Trade accounts receivable	**243.4**	277.7	(34.3)
Income taxes receivable	**3.9**	—	3.9
Inventories	**945.7**	954.9	(9.2)
Prepaid expenses, deposits and other current assets	**62.1**	69.7	(7.6)
Accounts payable and accrued liabilities	**(258.5)**	(234.1)	(24.4)
Income taxes payable	**—**	(1.9)	1.9
Total working capital	**1,049.4**	**1,104.5**	(55.1)

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

- The decrease in trade accounts receivable (which are net of accrued sales discounts) was mainly due to a higher offset for accrued sales discounts as a result of higher rebates in fiscal 2017 and the earlier timing of payments in 2016, the impact of lower days sales outstanding (DSO), and the impact of higher sales of trade accounts receivables to a financial institution under a receivables purchase agreement as disclosed in note 7 of the audited consolidated financial statements for the year ended December 31, 2017, all of which were partially offset by the impact of higher sales in the fourth quarter of fiscal 2017 compared to the fourth quarter of fiscal 2016.

- The decrease in inventories was mainly due to lower activewear, sock, and underwear unit inventories, partially offset by higher raw material costs and activewear inventories added from the American Apparel business acquisition.

- The decrease in prepaid expenses, deposits and other current assets was mainly due to the lower fair value of derivative financial instruments outstanding and designated as effective hedging instruments.

- The increase in accounts payable and accrued liabilities was mainly due to higher payables for raw materials and higher accruals for variable compensation and restructuring costs, partially offset by a decrease in purchases of sourced finished goods.

- Working capital was $1,049.4 million as at December 31, 2017, compared to $1,104.5 million as at January 1, 2017. The current ratio at the end of fiscal 2017 was 5.1, compared to 5.7 at the end of fiscal 2016.

6.2 Property, plant and equipment, intangible assets and goodwill

(in $ millions)	Property, plant and equipment	Intangible assets	Goodwill
Balance, January 1, 2017	1,076.9	354.2	202.1
Net capital additions	90.6	2.6	0.4
Additions through business acquisitions	4.5	70.4	24.1
Other	—	—	—
Depreciation and amortization	(136.2)	(25.6)	—
Balance, December 31, 2017	**1,035.8**	**401.6**	**226.6**

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

- Additions to property, plant and equipment were for investments in textile capacity, including the development of the Rio Nance 6 facility in Honduras and textile capacity expansion in Bangladesh, as well as investments in yarn-spinning, distribution, and garment-dyeing expansion.
- Intangible assets are comprised of customer contracts and relationships, trademarks, license agreements, non-compete agreements, and computer software. The increase in intangible assets reflects additions of $70.4 million mainly related to the American Apparel business acquisition and other capital additions primarily related to software, partially offset by amortization of $25.6 million.
- The increase in goodwill is mainly due to the goodwill recorded in connection with the American Apparel business acquisition.

6.3 Other non-current assets and non-current liabilities

(in $ millions)	**December 31, 2017**	January 1, 2017	Variation
Deferred income taxes	**(3.7)**	1.5	(5.2)
Other non-current assets	**8.8**	14.9	(6.1)
Long-term debt	**(630.0)**	(600.0)	(30.0)
Other non-current liabilities	**(37.1)**	(34.6)	(2.5)

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

- The decrease in other non-current assets is mainly due to the use of the deposit of $6.6 million made in the fourth quarter of fiscal 2016 with respect to the American Apparel business acquisition which closed on February 8, 2017.
- Other non-current liabilities include provisions and employee benefit obligations. The increase is mainly due to the statutory severance benefits earned by employees located in the Caribbean Basin and Central America during fiscal 2017.
- See the section entitled "Liquidity and capital resources" in this MD&A for the discussion on long-term debt.

Total assets were $2,980.7 million as at December 31, 2017, compared to $2,990.1 million as at January 1, 2017.

7.0 CASH FLOWS

7.1 Cash flows from (used in) operating activities

(in $ millions)	**2017**	2016	Variation
Net earnings	**362.3**	346.6	15.7
Adjustments to reconcile net earnings to cash flows from operating activities(1)	**175.2**	158.4	16.8
Changes in non-cash working capital balances	**75.8**	32.8	43.0
Cash flows from operating activities	**613.3**	537.8	75.5

(1) Includes $162.2 million (2016 - $140.6 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 $75.5 million was mainly due to a higher decrease in non-cash working capital, as explained below, and the impact of higher net earnings.

- Non-cash working capital decreased by $75.8 million during fiscal 2017, compared to a decrease of $32.8 million during fiscal 2016. The higher decrease in non-cash working capital in fiscal 2017 as compared to fiscal 2016 was due to decreases in inventories and an increase in accounts payable and accrued liabilities, partially offset by a lower decrease in trade accounts receivable.

7.2 Cash flows from (used in) investing activities

(in $ millions)	**2017**	2016	Variation
Purchase of property, plant and equipment	**(92.0)**	(129.4)	37.4
Purchase of intangible assets	**(2.8)**	(10.8)	8.0
Business acquisitions	**(115.8)**	(163.9)	48.1
Proceeds on disposal of assets held for sale and property, plant and equipment	**0.5**	0.8	(0.3)
Cash flows used in investing activities	**(210.1)**	(303.3)	93.2

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

- The lower use of cash in investing activities during fiscal 2017 compared to fiscal 2016 was mainly due to lower capital spending as a result of a reduction in yarn spinning investments. Cash used for business acquisitions during fiscal 2017 included $91.9 million for the American Apparel business acquisition (the deposit of $6.6 million made in the fourth quarter of fiscal 2016 brings the total consideration to $98.5 million), $8.6 million for the acquisition of an Australian based activewear distributor, $11.2 million for the acquisition of a U.S.-based ring-spun yarn manufacturer, and the payment of $4.0 million of the balance due for the fiscal 2016 acquisition of Peds. Cash used for business acquisitions during fiscal 2016 was related to the acquisitions of Alstyle and Peds and the deposit made for the American Apparel business acquisition which was completed in fiscal 2017.

- Capital expenditures during fiscal 2017 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)	**2017**	2016	Variation
Cash flows from operating activities	**613.4**	537.9	75.5
Cash flows used in investing activities	**(210.0)**	(303.4)	93.4
Adjustment for:			
Business acquisitions	**115.8**	163.9	(48.1)
Free cash flow(1)	**519.2**	398.4	120.8

(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.

- For fiscal 2017, the year-over-year increase in free cash flow of $120.8 million reflects higher operating cash flows and lower capital expenditures.

7.4 Cash flows from (used in) financing activities

(in $ millions)	**2017**	2016	Variation
Increase (decrease) in amounts drawn under revolving long-term bank credit facilities	**30.0**	(375.0)	405.0
Proceeds from term loan	**—**	300.0	(300.0)
Proceeds from issuance of notes	**—**	300.0	(300.0)
Dividends paid	**(84.8)**	(74.4)	(10.4)
Withholding taxes paid pursuant to the settlement of non-Treasury RSUs	**(4.5)**	(4.7)	0.2
Proceeds from the issuance of shares	**4.9**	2.2	2.7
Repurchase and cancellation of shares	**(328.6)**	(394.5)	65.9
Share repurchases for settlement of non-Treasury RSUs	**(6.3)**	—	(6.3)
Cash flows used in financing activities	**(389.3)**	(246.4)	(142.9)

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

- Cash flows used in financing activities during fiscal 2017 mainly reflect cash outflows of $328.6 million for the repurchase and cancellation of common shares under the NCIB, as discussed in section 8.4 of this MD&A, and the payments of dividends. During fiscal 2016, cash flows used in financing activities reflect cash outflows of $394.5 million for the repurchase and cancellation of common shares under a previous NCIB, a $375.0 million repayment on our long-term bank credit facilities, and the payments of dividends, which were mostly offset by proceeds of $600.0 million from the term loan and the issuance of notes. See the section entitled “Liquidity and capital resources” in this MD&A for the discussion on long-term debt.

- The Company paid $84.8 million of dividends during fiscal 2017 compared to $74.4 million of dividends during fiscal 2016. The year-over-year increase is due to the 20% increase in the amount of the quarterly dividend approved by the Board of Directors on February 22, 2017, partially offset by the impact of lower common shares outstanding as a result of the repurchase and cancellation of common shares executed since last year.

8.0 LIQUIDITY AND CAPITAL RESOURCES

8.1 Long-term debt and net indebtedness

Our primary uses of funds are for working capital requirements, capital expenditures, business acquisitions, and payment of dividends. We have also used funds for the repurchase of shares. We fund our requirements with cash generated from operations and with funds drawn from our long-term debt facilities. The Company's long-term debt as at December 31, 2017 is described below.

	Effective interest rate (1)	Principal amount		Maturity date
		December 31, 2017	January 1, 2017	
Revolving long-term bank credit facility, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 2% (2)	**2.3%**	**$ 30,000**	$ —	**April 2022**
Revolving long-term bank credit facility, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 1.25% (3)	**2.1%**	**—**	—	**March 2019**
Term loan, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 2% (4)	**2.2%**	**300,000**	300,000	**June 2021**
Notes payable, interest at fixed rate of 2.70%, payable semi-annually (5)	**2.7%**	**100,000**	100,000	**August 2023**
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.53% payable quarterly (5)	**2.7%**	**50,000**	50,000	**August 2023**
Notes payable, interest at fixed rate of 2.91%, payable semi-annually (5)	**2.9%**	**100,000**	100,000	**August 2026**
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.57% payable quarterly (5)	**2.9%**	**50,000**	50,000	**August 2026**
		$ 630,000	$ 600,000	

(1) Represents the effective interest rate for the year ended December 31, 2017, including the cash impact of interest rate swaps, where applicable.
(2) The Company's committed unsecured revolving long-term bank credit facility of $1 billion provides for an annual extension which is subject to the approval of the lenders. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the credit facility agreement). In addition, an amount of $14.6 million (January 1, 2017 - $19.0 million) has been committed against this facility to cover various letters of credit.
(3) The Company's unsecured revolving long-term bank credit facility agreement of $300 million, has a one year revolving period followed by a one year term-out period, and provides for an annual extension of the revolving period which is subject to the approval of the lenders. A fixed spread of 1.0% during the revolving period and 1.25% during the term-out period is added to the U.S. LIBOR-based variable interest rate.
(4) The unsecured term loan is non-revolving and can be prepaid in whole or in part at any time with no penalties. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the term loan agreement).
(5) The unsecured notes issued for a total aggregate principal amount of $300 million to accredited investors in the U.S. private placement market can be prepaid in whole or in part at any time, subject to the payment of a prepayment penalty as provided for in the Note Purchase Agreement.

In March 2017, the Company amended its unsecured revolving long-term bank credit facility of $1 billion to extend the maturity date from April 2021 to April 2022, and amended its unsecured revolving long-term bank credit facility agreement of $300 million to extend the maturity date from March 2018 to March 2019.

Under the terms of the revolving facilities, term loan facility, and notes, the Company is required to comply with certain covenants, including maintenance of financial ratios. The Company was in compliance with all financial covenants at December 31, 2017.

(in $ millions)	**December 31, 2017**	January 1, 2017
Long-term debt and total indebtedness(1)	**630.0**	600.0
Cash and cash equivalents	**(52.8)**	(38.2)
Net indebtedness(1)	**577.2**	561.8

(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 primary measure used by the Company to monitor its financial leverage is its net debt leverage ratio as defined in section 17.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A. Gildan's net debt leverage ratio as at December 31, 2017 was 1.0 times (1.0 times as at January 1, 2017), which was at the lower end of its previously communicated target net debt leverage ratio of one to two times pro-forma adjusted EBITDA for the trailing twelve months. The Company's net debt leverage ratio is calculated as follows:

(in $ millions, or otherwise indicated)	**December 31, 2017**	January 1, 2017
Adjusted EBITDA for the trailing twelve months	**586.1**	523.8
Adjustment for:		
Business acquisitions	**0.3**	12.5
Pro-forma adjusted EBITDA for the trailing twelve months	**586.4**	536.3
Net indebtedness(1)	**577.2**	561.8
Net debt leverage ratio(1)	**1.0**	1.0

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

For fiscal 2018, the Company is projecting capital expenditures of approximately $125 million primarily for the continued development of the Rio Nance 6 facility in Honduras, investments in existing textile facilities and distribution capabilities, as well as sewing capacity expansion to align to increases in textile capacity.

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

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

8.2 Outstanding share data

Our common shares are listed on the New York Stock Exchange (NYSE) and the Toronto Stock Exchange (TSX) under the symbol GIL. As at February 16, 2018, there were 219,207,838 common shares issued and outstanding along with 3,021,879 stock options and 102,169 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 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.

8.3 Declaration of dividend

The Company paid dividends of $84.8 million during the year ended December 31, 2017. On February 21, 2018, the Board of Directors approved a 20% increase in the amount of the quarterly dividend and declared a cash dividend of $0.112 per share for an expected aggregate payment of $24.6 million which will be paid on April 2, 2018 on all of the issued and outstanding common shares of the Company, rateably and proportionately to the holders of record on March 8, 2018. 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 part of the Company's capital allocation framework as described in section 4.5 of this MD&A, the Board of Directors considers several factors when deciding to declare quarterly cash dividends, including the Company's present and future earnings, cash flows, capital requirements, and present and/or future regulatory and legal restrictions. There can be no assurance as to the declaration of future quarterly cash dividends. Although the Company's long-term debt agreements require compliance with lending covenants in order to pay dividends, these covenants are not currently, and are not expected to be, a constraint to the payment of dividends under the Company's dividend policy.

8.4 Normal course issuer bid

On February 23, 2017, the Company announced the renewal of a normal course issuer bid (NCIB) beginning February 27, 2017 and ending on February 26, 2018, to purchase for cancellation up to 11,512,267 common shares of the Company, representing approximately 5% of the Company's issued and outstanding common shares as of February 17, 2017. On November 1, 2017, the Company obtained approval from the TSX to amend its NCIB program in order to increase the maximum number of common shares that may be repurchased from 11,512,267 common shares, or 5% of the Company's issued and outstanding common shares as at February 17, 2017 (the reference date for the NCIB), to 16,117,175 common shares, representing approximately 7.2% of the public float (or 7% of the Company's issued and outstanding common shares) as at February 17, 2017. No other terms of the NCIB were amended.

During the year ended December 31, 2017, the Company repurchased for cancellation a total of 11,512,267 common shares under the NCIB for a total cost of $328.6 million, of which a total of 877,000 common shares were repurchased by way of private agreements with arm's length third-party sellers. Of the total cost of $328.6 million, $7.7 million was charged to share capital and $320.9 million was charged to retained earnings.

On February 21, 2018, the Board of Directors of the Company approved the initiation of a new NCIB commencing on February 27, 2018 to purchase for cancellation up to 10,960,391 common shares, representing approximately 5% of the Company's issued and outstanding common shares. Gildan is authorized to make purchases under the NCIB during the period from February 27, 2018 to February 26, 2019 in accordance with the requirements of the TSX. Purchases will be made by means of open market transactions on both the TSX and the NYSE, or alternative trading systems, if eligible, or by such other means as a securities regulatory authority may permit, including by private agreements under an issuer bid exemption order issued by securities regulatory authorities in Canada. Under the bid, Gildan may purchase up to a maximum of 114,889 shares daily through TSX facilities, which represents 25% of the average daily trading volume on the TSX for the most recently completed six calendar months. The price to be paid by Gildan for any common shares will be the market price at the time of the acquisition, plus brokerage fees, and purchases made under an issuer bid exemption order will be at a discount to the prevailing market price in accordance with the terms of the order.

Gildan's management and the Board of Directors believe the repurchase of common shares represents an appropriate use of Gildan's financial resources and that share repurchases under the NCIB will not preclude Gildan from continuing to pursue organic growth and complementary acquisitions.

9.0 LEGAL PROCEEDINGS

9.1 Claims and litigation

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

10.0 OUTLOOK

A discussion of management's expectations as to our outlook for fiscal 2018 is contained in our earnings results press release dated February 22, 2018 under the section entitled "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.gildancorp.com.

11.0 FINANCIAL RISK MANAGEMENT

The Company is exposed to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk, interest rate risk, commodity price risk, as well as risks arising from changes in the price of our common shares in connection with our share-based compensation plans. The disclosures under this section, in conjunction with the information in note 14 to the 2017 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 2017 audited annual consolidated financial statements.

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

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

11.1 Credit risk

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

Under the terms of a receivables purchase agreement, the Company may continuously sell trade accounts receivables of certain designated customers to a third-party financial institution in exchange for a cash payment equal to the face value of the sold trade accounts receivables, less an applicable discount. The Company retains servicing responsibilities, including collection, for these trade accounts receivables but does not retain any credit risk with respect to any trade accounts receivables that have been sold. All trade accounts receivables sold under the receivables purchase agreement are removed from the consolidated statements of financial position as the sale of the trade accounts receivables qualify for de-recognition. As at December 31, 2017, trade accounts receivables being serviced under a receivables purchase agreement amounted to $92.8 million. The receivables purchase agreement, which allows for the sale of a maximum of $175 million of accounts receivables at any one time, expires on June 26, 2018, subject to annual extensions.

The Company's credit risk for trade accounts receivable is concentrated as the majority of its sales are to a relatively small group of wholesale distributors within the Printwear segment and mass-market and other retailers within the Branded Apparel segment. As at December 31, 2017, the Company's ten largest trade debtors accounted for 63% of trade accounts receivable; one wholesale customer within the Printwear segment accounted for 18% and one mass-market retailer within the Branded Apparel segment accounted for 9%, before factoring in the impact of the receivables purchase agreement described above. Of the Company's top ten trade debtors, five are in the Printwear segment, five are in the Branded Apparel segment and all are located in the U.S. The remaining trade accounts receivable balances are dispersed among a larger number of debtors across many geographic areas including the U.S., Canada, Europe, Mexico, Asia-Pacific, and Latin America.

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

The Company's extension of credit to customers involves considerable judgment and is based on an evaluation of each customer's financial condition and payment history. The Company has established various internal controls designed to mitigate credit risk, including a dedicated credit function which recommends customer credit limits and payment terms that are reviewed and approved on a quarterly basis by senior management at the Company's primary sales offices in Christ Church, Barbados. 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, where circumstances warrant, the Company will temporarily transact with customers on a prepayment basis. 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)	**December 31, 2017**	January 1, 2017
Trade accounts receivable by geographic area:		
United States	**208.2**	237.5
Canada	**14.7**	20.5
Europe and other	**20.5**	19.7
Total trade accounts receivable	**243.4**	277.7
Trade accounts receivable by operating segment:		
Printwear	**159.7**	158.1
Branded Apparel	**83.7**	119.6
Total trade accounts receivable	**243.4**	277.7

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

(in $ millions)	**December 31, 2017**	January 1, 2017
Not past due	**197.6**	235.4
Past due 0-30 days	**31.7**	20.0
Past due 31-60 days	**9.8**	12.2
Past due 61-120 days	**2.0**	3.8
Past due over 121 days	**7.4**	11.9
Trade accounts receivable	**248.5**	283.3
Less allowance for doubtful accounts	**(5.1)**	(5.6)
Total trade accounts receivable	**243.4**	277.7

11.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. We rely on cash resources, debt, and cash flows generated from operations to satisfy our financing requirements. We may also require access to capital markets to support our operations as well as to achieve our strategic plans. Any impediments to our ability to continue to meet the covenants and conditions contained in our long-term debt agreements as well as our ability to access capital markets, the failure of a financial institution participating in our revolving long-term bank credit facilities, or an adverse perception in capital markets of our financial condition or prospects could have a material impact on our financing capability. In addition, our access to financing at reasonable interest rates could be 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 2017 audited annual consolidated financial statements. In addition, we manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our sales and cash receipts and the expected timing of capital expenditures. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as transactions such as the declaration of dividends, the initiation of share repurchase programs, mergers, acquisitions, and other major investments or divestitures.

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

In the normal course of business, we enter into contractual obligations that will require us to disburse cash over future periods. All commitments have been reflected in our consolidated statements of financial position except for purchase obligations, minimum annual lease payments under operating leases which are primarily for premises, and minimum royalty payments, which are included in the table of contractual obligations that follows. The following table sets forth the maturity of our contractual obligations by period for the following items as at December 31, 2017.

(in $ millions)	**Carrying amount**	Contractual cash flows	Less than 1 fiscal year	1 to 3 fiscal years	4 to 5 fiscal years	More than 5 fiscal years
Accounts payable and accrued liabilities	**258.5**	258.5	258.5	—	—	—
Long-term debt[1]	**630.0**	630.0	—	—	330.0	300.0
Purchase obligations	—	72.9	72.9	—	—	—
Operating leases and other obligations	—	173.5	62.4	35.1	24.0	52.0
Total contractual obligations	**888.5**	1,134.9	393.8	35.1	354.0	352.0

(1) Excluding interest

As disclosed in note 23 to our 2017 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 December 31, 2017, the maximum potential liability under these guarantees was $50.6 million, of which $12.5 million was for surety bonds and $38.1 million was for financial guarantees and standby letters of credit.

11.3 Foreign currency risk

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

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

The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows, by transacting with third parties in U.S. dollars to the maximum extent possible and practical and holding cash and cash equivalents and incurring borrowings in U.S. dollars. The Company monitors and forecasts the values of net foreign currency cash flows and, from time to time will authorize the use of derivative financial instruments, such as forward foreign exchange contracts with maturities of up to three years, to economically hedge a portion of foreign currency cash flows. The Company had forward foreign exchange contracts outstanding as at December 31, 2017, consisting primarily of contracts to sell and buy Canadian dollars, sell Euros, sell Pounds sterling, sell Australian dollars, and buy Mexican pesos in exchange for U.S. dollars. The outstanding contracts and other foreign exchange contracts that were settled during fiscal 2017 were designated as cash flow hedges and qualified for hedge accounting. The underlying risk of the foreign exchange contracts is identical to the hedged risk and, accordingly, we have established a ratio of 1:1 for all foreign exchange hedges. No ineffectiveness was recognized in net earnings, as the change in value used for calculating the ineffectiveness of the hedging instruments was the same as the change in value used for calculating the ineffectiveness of the hedged items. We refer the reader to note 14 to the 2017 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 December 31, 2017 arising from financial instruments:

	December 31, 2017					
(in U.S. $ millions)	**CAD**	**EUR**	**GBP**	**MXN**	**CNY**	**AUD**
Cash and cash equivalents	0.2	1.7	0.8	5.9	3.6	0.5
Trade accounts receivable	14.3	1.8	3.0	3.7	2.8	2.3
Prepaid expenses, deposits and other current assets	0.3	1.2	—	1.5	0.2	—
Accounts payable and accrued liabilities	(22.7)	(5.2)	(0.8)	(4.0)	(0.7)	—

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 December 31, 2017					
(in U.S. $ millions)	**CAD**	**EUR**	**GBP**	**MXN**	**CNY**	**AUD**
Impact on earnings before income taxes	0.4	—	(0.1)	(0.4)	(0.3)	(0.1)
Impact on other comprehensive income before income taxes	(0.2)	1.8	1.8	(0.3)	—	0.3

An assumed 5 percent weakening of the U.S. dollar during the year ended December 31, 2017 would have had an equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

11.4 Commodity risk

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

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

The Company has the ability to enter into derivative financial instruments, including futures and option contracts, to manage its exposure to movements in commodity prices. Such contracts are accounted for at fair value in the consolidated financial statements in accordance with the accounting standards applicable to financial instruments. During fiscal 2017, the Company entered into commodity derivative contracts as described in note 14 to the 2017 audited annual consolidated financial statements. The underlying risk of the commodity derivative contracts is identical to the hedged risk and accordingly, we have established a ratio of 1:1 for all commodity derivative hedges. Due to a strong correlation between commodity future contract prices and our purchased costs, we did not experience any significant ineffectiveness on our hedges. We refer the reader to note 14 to the 2017 audited annual consolidated financial statements for details of these derivative contracts and the impact of applying hedge accounting.

11.5 Interest rate risk

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

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

The Company has the ability to enter into derivative financial instruments that would effectively fix its cost of current and future borrowings for an extended period of time. The Company has $250 million of floating-to-fixed interest rate swaps outstanding to hedge its floating interest rate exposure on a designated portion of certain long-term debt agreements. The interest rate swap contracts are designated as cash flow hedges qualify for hedge accounting.

Based on the value of interest-bearing financial instruments during the year ended December 31, 2017, an assumed 0.5 percentage point increase in interest rates during such period would have decreased earnings before income taxes by $1.4 million. An assumed 0.5 percentage point decrease in interest rates would have had an equal but opposite effect on earnings before income taxes, assuming that all other variables remain constant.

12.0 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Our significant accounting policies are described in note 3 to our 2017 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 could 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, including discounts and rebates, are granted to our customers. 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 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 fully recoverable is more difficult than anticipated, additional provisions may be required.

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

Recoverability and impairment of non-financial assets
The calculation of fair value less costs of disposal or value in use for purposes of measuring the recoverable amount of non-financial assets involves the use of significant assumptions and estimates with respect to a variety of factors, including expected sales, gross margins, SG&A expenses, cash flows, capital expenditures, and the selection of an appropriate earnings multiple or discount rate, all of which are subject to inherent uncertainties and subjectivity. The assumptions are based on annual business plans and other forecasted results, earnings multiples obtained by using market comparables as references, and discount rates which are used to reflect market-based estimates of the risks associated with the projected cash flows, based on the best information available as of the date of the impairment test. Changes in circumstances, such as technological advances, adverse changes in third-party licensing arrangements, changes to the Company's business strategy, and changes in economic and market conditions can result in actual useful lives and future cash flows that differ 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 the associated cash flows materially decrease, the Company may be required to record material impairment charges related to its non-financial assets. Please refer to note 10 of the audited annual consolidated financial statements for the year ended December 31, 2017 for additional details on the recoverability of the Company's cash-generating units.

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

Measurement of the estimate of expected costs for decommissioning and site restoration
The measurement of the provision for decommissioning and site restoration costs requires assumptions 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 an assumed discount rate. Revisions to any of the assumptions and estimates used by management may result in changes to the expected expenditures to settle the liability, which would require adjustments to the provision and which may have an impact on the operating results of the Company in the period the change occurs.

Income taxes

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

13.0 ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET APPLIED

13.1 Accounting policies

The Company's audited consolidated financial statements for fiscal 2017 were prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB), using the same accounting policies as those applied in its fiscal 2016 audited annual 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 December 31, 2017, and have not been applied in preparing the audited annual consolidated financial statements.

Revenues from contracts with customers

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

IFRS 15 provides a single model in order to depict the transfer of promised goods or services to customers and supersedes IAS 11, Construction Contracts, IAS 18, Revenue, and a number of revenue-related interpretations (IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue - Barter Transactions Involving Advertising Services). The standard prescribes a five-step approach to revenue recognition: (1) identify the contracts with the customer; (2) identify the separate performance obligations in the contracts; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when, or as, each performance obligation is satisfied. New disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers are also required. IFRS 15 is effective for the Company's fiscal year beginning on January 1, 2018, and can be applied retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to opening retained earnings at the date of initial adoption (modified retrospective method). Upon transition, an entity can elect to apply IFRS 15 with or without certain practical expedients.

The Company has reviewed the new standard against its existing accounting policies and practices, including reviewing standard purchase orders, invoices, shipping terms, and contracts with customers, including discount arrangements, within its significant revenue streams in order to assess any terms that can represent additional performance obligations and to evaluate transaction price considerations. The majority of the Company's contracts with customers are contracts in which the sale of finished products is generally expected to be the only performance obligation. The Company has concluded that the revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally upon shipment of products to customers, consistent with its current practice. Some contracts with customers provide incentive programs, including discounts, promotions, advertising allowances, and other volume-based incentives. Currently, the Company recognizes revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of provisions for customer incentives and for sales returns. Such incentives give rise to variable consideration under IFRS 15, which is also estimated at contract inception.

The Company will adopt the new standard in the first quarter of fiscal 2018 using the modified retrospective transition method. The Company has concluded that the new guidance under IFRS 15 will not have a material impact on recognition and amounts in its consolidated financial statements. The Company expects to record a non-cash adjustment to reduce retained earnings by less than $2.0 million at January 1, 2018 on initial adoption, representing the gross margin on estimated net sales for which revenue recognition should be delayed under the guidance of IFRS 15. The Company is completing the assessment of the overall impact on the Company's disclosures and is addressing any system and process changes necessary to compile the information to meet the recognition and disclosure requirements of the new guidance starting in the first quarter of fiscal 2018.

Financial Instruments

In July 2014, the IASB issued 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. IFRS 9 (2014) must be applied retroactively; however, it contains significant exemptions from retroactive application for the classification and measurement requirements of the new standard, including impairment. The Company expects to record a non-cash adjustment of approximately $1.0 million to reduce retained earnings at January 1, 2018, as a result of the adoption of IFRS 9 (2014), reflecting additional allowance for doubtful accounts from the new expected credit loss model.

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 adoption permitted only if IFRS 15, Revenue from Contracts with Customers, has also been applied. The Company will adopt the new standard in the first quarter of fiscal 2019, and expects to use the modified retrospective transition method. The Company expects that the initial adoption of IFRS 16 will result in approximately $120 million of operating lease liabilities (primarily for the rental of premises), being recognized in the consolidated statement of financial position, with a corresponding right-of-use asset being recognized. The Company also expects a decrease of its operating lease costs, offset by a corresponding increase of its financial expenses and depreciation and amortization resulting from the changes in the recognition, measurement and presentation requirements. However, no significant impact on net earnings is expected at this time.

Uncertain Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty Over Income Tax Treatments, which clarifies how to apply the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty regarding income tax treatments. The Interpretation addresses whether an entity needs to consider uncertain tax treatments separately, the assumptions an entity should make about the examination of tax treatments by taxation authorities, how an entity should determine taxable profit and loss, tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances in such determinations. IFRIC 23 applies to annual reporting periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is currently evaluating the impact of the adoption of IFRIC 23 on the 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 December 31, 2017. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2017.

15.0 INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our internal control over financial reporting means a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP and includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and (3) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the annual financial statements or interim financial reports.

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

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of December 31, 2017, based on the framework set forth in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation under this framework, our Chief Executive Officer and our Chief Financial Officer concluded that our internal control over financial reporting was effective as of December 31, 2017.

15.2 Attestation report of independent registered public accounting firm

KPMG LLP, an independent registered public accounting firm, which audited and reported on our financial statements in this Report to Shareholders, has issued an unqualified report on the effectiveness of our internal control over financial reporting as of December 31, 2017.

15.3 Changes in internal control over financial reporting

There have been no changes that occurred during the period beginning on October 2, 2017 and ended on December 31, 2017 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

16.0 RISKS AND UNCERTAINTIES

In addition to the risks previously described under the sections "Financial risk management", "Critical accounting estimates and judgments", and those described elsewhere in this MD&A, this section describes the principal risks that could have a material 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 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 successful in increasing our penetration in the North American and international markets for imprintable products, including growing our sales of fashion basics, 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 growing our sales and profitability through our own brands in the U.S. retail channel, including brick and mortar retailers, on-line retailers and our own e-commerce platforms. Our opportunities for growth may be limited, and we may lose market share if we fail to successfully develop new business in existing and new market channels or new geographical markets. As consumers increasingly migrate towards on-line shopping, our future sales may be negatively impacted if we fail to continue to grow our sales with and service major retailers' e-commerce businesses or fail to adequately develop our capabilities to service consumers directly. In addition, future sales growth opportunities may be limited or negatively impacted by customers, including wholesale distributors and retailers pursuing growth of their own private label brands. From a manufacturing perspective, there can be no assurance that we will successfully add new capacity or that we will not encounter operational issues that may affect or disrupt our current production or supply chain or delay the ramp-up of new facilities required to support sales growth. 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 benefits and synergies from such integration.

Our ability to compete effectively

The markets for our products are highly competitive and evolving rapidly. Competition is generally based upon price, brand, quality, and service. Our competitive strengths include our expertise in building and operating large-scale, vertically-integrated manufacturing hubs which have allowed us to operate efficiently and reduce costs, offer competitive pricing, and provide 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, brand appeal, quality, and service. As noted in section 3.4 of this MD&A, we compete with domestic and international manufacturers, brands of well-established U.S. apparel and sportswear companies, as well as our own customers, including retailers and wholesale distributors that are increasingly focused on selling basic apparel products under their own private label brands that compete directly with our brands. In addition, shopping trends are also evolving, on-line shopping is growing rapidly, and e-commerce is further intensifying competition in the market as it facilitates competitive entry and comparison shopping. Failure to compete effectively and respond to evolving trends in the market, including intensifying competition from private label brands and e-commerce, and failure to adapt our operations to service the changing needs of our customers within an evolving market landscape could have a negative impact on our business and results of operations. 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, and the need for additional customer price incentives, and other forms of marketing support to our customers, all of which could have a negative effect on our profitability if we are unable to offset such negative impacts 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 negatively affect our financial condition and results of operations. In addition, we may not be able to fully realize expected synergies and other benefits.

We may be negatively impacted by changes in general economic and financial conditions

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

We rely on a small number of significant customers

We rely on a small number of customers for a significant portion of our total sales. In fiscal 2017, our largest and second largest customers accounted for 16.5% and 11.9% (2016 - 18.2% and 12.4%) of total sales respectively, and our top ten customers accounted for 58.3% (2016 - 59.1%) of total sales. We expect that these customers will continue to represent a significant portion of our sales in the future.

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

- a significant customer substantially reduces its purchases or ceases to buy from us, or Gildan elects to reduce its volume of business with or cease to sell to a significant customer, and we cannot replace that business with sales to other customers on similar terms;
- a large customer exercises its purchasing power to negotiate lower prices or higher price discounts or require Gildan to incur additional service and other costs;
- further industry consolidation leads to greater customer concentration and competition; and
- a large customer encounters financial difficulties and is unable to meet its financial obligations.

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

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

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

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

decreases significantly for that delivery period, the Company may need to reduce selling prices, which could have a negative effect on our business, results of operations and financial condition.

We rely on key suppliers

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

We may be negatively impacted by climate, political, social, and economic risks in the countries in which we operate or from which we source production

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

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

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

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

Compliance with laws and regulations in the various countries in which we operate and the potential negative effects of litigation and/or regulatory actions

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

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

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

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

Recently there has been an increasing focus on U.S. domestic manufacturing that has drawn worldwide attention.The current U.S. Administration is encouraging companies to manufacture in the U.S. While a significant proportion of our costs to manufacture our products originate in the United States, the Company also has significant operations outside the U.S. There can be no assurance that the recent and continuing focus in this area may not attract negative publicity on the Company and its activities, lead to adverse changes in international trade agreements and preference programs that the Company currently relies on, the implementation of anti-dumping or countervailing duties on the imports of our raw materials and finished goods into the U.S. from other countries, or lead to further tax reform in the U.S. that could increase our effective income tax rate. Furthermore, the imposition of non-tariff barriers by the countries into which we sell our products internationally may also impact our ability to service such markets. Any of such outcomes could negatively impact our ability to compete effectively and negatively affect our results of operations.

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.

Furthermore, the imposition of any new domestic tariffs in any of the countries in which we operate may also negatively impact our global competitive position. For example, United States domestic law provides for the application of anti-dumping or countervailing duties on imports of products from certain countries into the United States should determinations be made by the relevant agencies that such imported products have been subsidized and/or are being sold at less than “fair value” and that such imports are causing a material injury to the domestic industry. The mechanism to implement anti-dumping and countervailing duties is available to every World Trade Organization member country. The impact of the imposition of such duties on products we import into the U.S. or other markets 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). However, in January 2017, the U.S. Administration issued a Presidential Memorandum directing the withdrawal of the United States from the TPP agreement. In January 2018, the remaining countries currently participating in the TPP, namely Australia, Brunei, Canada, Chile, Mexico, Malaysia, New Zealand, Peru, Singapore, Japan, and Vietnam, agreed to a revised trade agreement excluding the United States. Should the revised TPP agreement, or any other new free trade agreement which our competitors leverage, come into force in the future, it may negatively affect our competitive position in the various countries in which we sell our products.

The participating countries of NAFTA are currently engaged in a renegotiation of the agreement. The resulting renegotiation of NAFTA, the termination of NAFTA or a U.S. withdrawal from NAFTA, or the movement to a bilateral agreement with Canada that would exclude Mexico could adversely impact the overall competitiveness of products we ship to the U.S. from our Mexican and Canadian manufacturing supply chains.

Overall, new agreements or arrangements that further liberalize access to our key country markets could negatively impact our competitiveness in those markets. The likelihood that any such agreements, measures, or programs will be adopted, or that the agreements and preference programs around which we have built our manufacturing supply chain will be modified, repealed, or allowed to expire, and the extent of the impact of such changes on our business, cannot be determined with certainty.

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

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

The Company operates two U.S. foreign trade zones (FTZs). Both FTZs relate to the Company's primary distribution warehouses in the U.S. The FTZs enhance efficiencies in the customs entry process and allow for the non-application of duty on certain goods distributed internationally. FTZs are highly regulated operations and while the Company believes it has adequate systems and controls in place to manage the regulatory requirements associated with FTZs, we cannot predict the outcome of any governmental audit or examination of the FTZs.

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

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

Factors or circumstances that could increase our effective income tax rate

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

The Company's overall effective income tax rate may also be adversely affected by the following: changes to current domestic laws in the countries in which the Company operates; changes to or terminations of the income tax treaties the Company currently relies on; an increase in income and withholding tax rates; changes to free trade and export processing zone rules in certain countries where the Company is currently not subject to income tax; changes to guidance regarding the interpretation and application of domestic laws, free trade and export processing zones, and income tax treaties; increases in the proportion of the Company's overall profits being earned in higher tax rate jurisdictions due to changes in the locations of the Company's operations; 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.

On December 22, 2017, the United States signed into law the Tax Cuts and Jobs Act (U.S. Tax Reform) which reduces the federal corporate income tax rate from 35% to 21% effective January 1, 2018. In addition, other changes to U.S. corporate tax laws resulting from the U.S. tax reform include the limitation on deductibility of interest expense paid by U.S. corporations and the introduction of the base erosion anti-abuse tax that applies an additional tax related to certain payments made by U.S. corporations to foreign related parties. Although we do not expect a significant adverse effect to our tax rate resulting from the U.S. tax reform, any further significant changes to the current tax rules which govern the manner in which sales and profits are taxed in the U.S. could materially increase the effective income tax rate of the Company.

We have not recognized a deferred income tax liability for the undistributed profits of our subsidiaries, as we currently have no intention to repatriate these profits. If our expectations or intentions change in the future, we could be required to recognize a charge to earnings for the tax liability relating to the undistributed profits of our subsidiaries, which would also result in a corresponding cash outflow in the years in which the earnings would be repatriated. As at December 31, 2017, the estimated income tax liability that would result in the event of a full repatriation of these undistributed profits is approximately $68 million.

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

Compliance with environmental, health, and safety regulations

We are subject to various federal, state, local, and other 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 all applicable laws and regulations, but also to reduce our environmental footprint through waste prevention, recovery, and treatment. Although we believe that we are currently in compliance in all material respects with the regulatory requirements of those jurisdictions in which our facilities are located, the extent of our liability, if any, for past failures to comply with laws, regulations, and permits applicable to our operations cannot be reasonably determined. In line with our commitment to the environment, as well as to the health and safety of our employees, we incur capital and other expenditures each year that are aimed at achieving compliance with current environmental standards. There can be no assurance that future changes in federal, state, local, or other regulations, interpretations of existing regulations or the discovery of currently unknown problems or conditions will not require substantial additional environmental remediation expenditures or result in a disruption to our supply chain that could have an adverse effect on our business, results of operation, or financial condition.

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

Compliance with product safety regulation

We are subject to consumer product safety laws and regulations that could affect our business. In the United States, we are subject to the *Consumer Product Safety Act*, as amended by the *Consumer Product Safety Improvement Act* of 2008, the *Federal Hazardous Substances Act*, the *Flammable Fabrics Act*, the *Toxic Substances Control Act*, and rules and regulations enacted pursuant to these statutes. Such laws provide for substantial penalties for non-compliance. These statutes and regulations include requirements for testing and certification for flammability of 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 apply to manufacturers, importers, distributors, advertisers, and retailers of consumer products.

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

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 and risk of business interruption, if any, due to failures to comply with laws, regulations, and permits applicable to our operations cannot be reasonably determined.

We may be negatively impacted by changes in our relationship with our employees or changes to domestic and foreign employment regulations

We employ over 50,000 employees worldwide. As a result, changes in domestic and foreign laws governing our relationships with our employees, including wage and human resources laws and regulations, fair labour standards, overtime pay, unemployment tax rates, workers' compensation rates, and payroll taxes, would likely have a direct impact on our operating costs. The majority of our employees are employed outside Canada and the United States. A significant increase in wage rates or the cost of benefit programs in the countries in which we operate could have a negative impact on our operating costs.

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

We may experience negative publicity as a result of actual, alleged or perceived violations of labour laws or international labour standards, unethical labour, and other business practices

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

We may be negatively impacted by changes in third-party licensing arrangements and licensed brands

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

Our ability to protect our intellectual property rights

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

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

In some cases, litigation may be necessary to protect our trademarks and other intellectual property rights, to enforce our rights or defend against claims by third parties alleging that we infringe, dilute, misappropriate, or otherwise violate third-party trademark or other intellectual property rights. Any litigation or claims brought by or against us, whether with or without merit, and whether successful or not, could result in substantial costs and diversion of our resources, which could have a negative effect on our business, financial condition, results of operation and cash flows. Any intellectual property litigation claims against us could result in the loss or compromise of our intellectual property rights, could subject us to significant liabilities, require us to seek licenses on unfavorable terms, if available at all, and/or require us to rebrand our products and services, any of which could negatively affect our business, results of operations, financial condition, and cash flows.

We rely significantly on our information systems for our business operations

We place significant reliance on our information systems. Our information systems consist of a full range of supply chain and financial systems. The systems include applications related to product development, planning, manufacturing, distribution, sales, human resources, and financial reporting. We depend on our information systems to operate our business and make key decisions. These activities include forecasting demand, purchasing raw materials and supplies, designing products, scheduling and managing production, selling to our customers, responding to customer, supplier and other inquiries, managing inventories, shipping goods on a timely basis, managing our employees, and summarizing results. There can be no assurance that we will not experience operational problems with our information systems as a result of system failures, viruses, information security incidents, cyber security incidents, disasters or other causes, or in connection with upgrade to our systems or implementation of new systems. In addition, there can be no assurance that we will be able to timely modify or adapt our systems to meet evolving requirements for our business. Any material disruption or slowdown of our systems could cause operational delays and other impacts that could negatively affect our business and results of operations.

We may be negatively impacted by data security and privacy breaches

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

We depend on key management and our ability to attract and/or retain key personnel

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

17.0 DEFINITION AND RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

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

Adjusted net earnings and adjusted diluted EPS

Adjusted net earnings are calculated as net earnings before restructuring and acquisition-related costs, including related income tax expenses and recoveries, and in fiscal 2017, the income tax adjustment related to rate enactments from the U.S. Tax Reform. Adjusted diluted EPS is calculated as adjusted net earnings divided by the diluted weighted average number of common shares outstanding. The Company uses adjusted net earnings and adjusted diluted EPS to measure its performance from one period to the next, without the variation caused by the impacts of the items described above. The Company excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Excluding these items does not imply they are necessarily non-recurring.

	Three months ended		Twelve months ended	
(in $ millions, except per share amounts)	**December 31, 2017**	January 1, 2017	**December 31, 2017**	January 1, 2017
Net earnings	**54.9**	74.3	**362.3**	346.6
Adjustments for:				
Restructuring and acquisition-related costs	**11.0**	0.2	**22.9**	11.7
Income tax expense (recovery) relating to restructuring and acquisition-related costs and U.S. Tax Reform(1)	**1.7**	—	**1.7**	(2.0)
Adjusted net earnings	**67.6**	74.5	**386.9**	356.3
Basic EPS	**0.25**	0.32	**1.62**	1.47
Diluted EPS	**0.25**	0.32	**1.61**	1.47
Adjusted diluted EPS	**0.31**	0.32	**1.72**	1.51

(1) For fiscal 2017, reflects an income tax expense of $3.3 million relating to restructuring and acquisition-related activities, and an income tax recovery of $1.6 million relating to the impact of U.S. tax reform. The income tax recovery results from the revaluation of the net deferred tax liability position in U.S. subsidiaries, to reflect the change in the statutory federal corporate income tax rate that will take effect in 2018. For fiscal 2016, the recovery of $2.0 million is related to restructuring and acquisition related costs.
Certain minor rounding variances exist between the consolidated financial statements and this summary.

Adjusted operating income and adjusted operating margin

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

	Three months ended		Twelve months ended	
(in $ millions, or otherwise indicated)	**December 31, 2017**	January 1, 2017	**December 31, 2017**	January 1, 2017
Operating income	**62.0**	69.8	**401.0**	371.5
Adjustment for:				
Restructuring and acquisition-related costs	**11.0**	0.2	**22.9**	11.7
Adjusted operating income	**73.0**	70.0	**423.9**	383.2
Operating margin	**9.5%**	11.9%	**14.6%**	14.4%
Adjusted operating margin	**11.2%**	11.9%	**15.4%**	14.8%

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

Adjusted EBITDA

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

	Three months ended		Twelve months ended	
(in $ millions)	**December 31, 2017**	January 1, 2017	**December 31, 2017**	January 1, 2017
Net earnings	**54.9**	74.3	**362.3**	346.6
Restructuring and acquisition-related costs	**11.0**	0.2	**22.9**	11.7
Depreciation and amortization	**41.0**	32.6	**162.2**	140.6
Financial expenses, net	**5.9**	5.8	**24.2**	19.7
Income tax expense (recovery)	**1.2**	(10.3)	**14.5**	5.2
Adjusted EBITDA	**114.0**	102.6	**586.1**	523.8

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

Free cash flow

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

(in $ millions)	**2017**	2016
Cash flows from operating activities	**613.4**	537.9
Cash flows used in investing activities	**(210.0)**	(303.4)
Adjustment for:		
Business acquisitions	**115.8**	163.9
Free cash flow	**519.2**	398.4

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

Total indebtedness and net indebtedness

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

(in $ millions)	**December 31, 2017**	January 1, 2017
Long-term debt and total indebtedness	**630.0**	600.0
Cash and cash equivalents	**(52.8)**	(38.2)
Net indebtedness	**577.2**	561.8

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

Net debt leverage ratio

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

(in $ millions, or otherwise indicated)	**December 31, 2017**	January 1, 2017
Adjusted EBITDA for the trailing twelve months	**586.1**	523.8
Adjustment for:		
Business acquisitions	**0.3**	12.5
Pro-forma adjusted EBITDA for the trailing twelve months	**586.4**	536.3
Net indebtedness	**577.2**	561.8
Net debt leverage ratio	**1.0**	1.0

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 December 31, 2017. Management is also responsible for the preparation and presentation of other financial information included in the 2017 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 December 31, 2017. KPMG LLP has direct access to the Audit and Finance Committee of the Board of Directors.

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

February 21, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gildan Activewear Inc. (the “Entity”), which comprise the consolidated statements of financial position as at December 31, 2017 and January 1, 2017, the consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the “consolidated financial statements”).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2017 and January 1, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Entity’s internal control over financial reporting as of December 31, 2017, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 21, 2018 expressed an unqualified (unmodified) opinion on the effectiveness of the Entity’s internal control over financial reporting.

Basis for Opinion

A - 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.

B - 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) (“PCAOB”). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to error or fraud. Those standards also require that we comply with ethical requirements, including independence. We are required to be independent with respect to the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are a public accounting firm registered with the PCAOB.

An audit includes performing procedures to assess the risks of material misstatements of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included obtaining and examining, on a test basis, audit evidence regarding 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 entity’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 and principles 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 reasonable basis for our audit opinion.

We have served as the Entity's auditor since fiscal 1996.

KPMG LLP*

Montreal, Canada

February 21, 2018

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control Over Financial Reporting

We have audited Gildan Activewear Inc.'s (the "Company") internal control over financial reporting as of December 31, 2017, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Report on the Consolidated Financial Statements

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company, which comprise the consolidated statements of financial position as at December 31, 2017 and January 1, 2017, the consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements"), and our report dated February 21, 2018 expressed an unmodified (unqualified) opinion on those consolidated financial statements.

Basis for Opinion

The Company'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 included in accompanying "Management's Annual Report on Internal Control over Financial Reporting" included in Management's Discussion and Analysis for the year ended December 31, 2017. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB and in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

KPMG LLP*

Montreal, Canada

February 21, 2018

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

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

	December 31, 2017	January 1, 2017
Current assets:		
Cash and cash equivalents (note 6)	$ **52,795**	$ 38,197
Trade accounts receivable (note 7)	**243,365**	277,733
Income taxes receivable	**3,891**	—
Inventories (note 8)	**945,738**	954,876
Prepaid expenses, deposits and other current assets	**62,092**	69,719
Total current assets	**1,307,881**	1,340,525
Non-current assets:		
Property, plant and equipment (note 9)	**1,035,818**	1,076,883
Intangible assets (note 10)	**401,605**	354,221
Goodwill (note 10)	**226,571**	202,108
Deferred income taxes (note 18)	**—**	1,500
Other non-current assets	**8,830**	14,907
Total non-current assets	**1,672,824**	1,649,619
Total assets	$ **2,980,705**	$ 2,990,144
Current liabilities:		
Accounts payable and accrued liabilities	$ **258,476**	$ 234,062
Income taxes payable	**—**	1,866
Total current liabilities	**258,476**	235,928
Non-current liabilities:		
Long-term debt (note 11)	**630,000**	600,000
Deferred income taxes (note 18)	**3,713**	—
Other non-current liabilities (note 12)	**37,141**	34,569
Total non-current liabilities	**670,854**	634,569
Total liabilities	**929,330**	870,497
Commitments, guarantees and contingent liabilities (note 23)		
Equity (note 13):		
Share capital	**159,170**	152,313
Contributed surplus	**25,208**	23,198
Retained earnings	**1,853,457**	1,903,525
Accumulated other comprehensive income	**13,540**	40,611
Total equity attributable to shareholders of the Company	**2,051,375**	2,119,647
Total liabilities and equity	$ **2,980,705**	$ 2,990,144

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 December 31, 2017 and January 1, 2017
(in thousands of U.S. dollars, except per share data)

		2017		2016
Net sales	$	2,750,816	$	2,585,070
Cost of sales		1,949,597		1,865,367
Gross profit		801,219		719,703
Selling, general and administrative expenses (note 16(a))		377,323		336,433
Restructuring and acquisition-related costs (note 17)		22,894		11,746
Operating income		401,002		371,524
Financial expenses, net (note 14(c))		24,186		19,686
Earnings before income taxes		376,816		351,838
Income tax expense (note 18)		14,482		5,200
Net earnings		362,334		346,638
Other comprehensive income (loss), net of related income taxes:				
Cash flow hedges (note 14(d))		(27,071)		39,518
Actuarial loss on employee benefit obligations (note 12(a))		(64)		(5,239)
		(27,135)		34,279
Comprehensive income	$	335,199	$	380,917
Earnings per share: (note 19)				
Basic	$	1.62	$	1.47
Diluted	$	1.61	$	1.47

See accompanying notes to consolidated financial statements.

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Fiscal years ended December 31, 2017 and January 1, 2017
(in thousands or thousands of U.S. dollars)

	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
	Number	Amount				
Balance, January 3, 2016	243,572	$ 150,497	$ 14,007	$ 1,093	$ 2,022,846	$ 2,188,443
Share-based compensation	—	—	15,225	—	—	15,225
Shares issued under employee share purchase plan	53	1,532	—	—	—	1,532
Shares issued pursuant to exercise of stock options	77	1,278	(453)	—	—	825
Shares issued or distributed pursuant to vesting of restricted share units	291	7,632	(12,185)	—	(143)	(4,696)
Shares repurchased for cancellation (note 13(d))	(13,775)	(8,626)	—	—	(385,825)	(394,451)
Change in classification of non-Treasury RSUs to equity-settled	—	—	6,234	—	—	6,234
Dividends declared	—	—	370	—	(74,752)	(74,382)
Transactions with shareholders of the Company recognized directly in equity	(13,354)	1,816	9,191	—	(460,720)	(449,713)
Cash flow hedges (note 14(d))	—	—	—	39,518	—	39,518
Actuarial loss on employee benefit obligations (note 12(a))	—	—	—	—	(5,239)	(5,239)
Net earnings	—	—	—	—	346,638	346,638
Comprehensive income	—	—	—	39,518	341,399	380,917
Balance, January 1, 2017	230,218	$ 152,313	$ 23,198	$ 40,611	$ 1,903,525	$ 2,119,647
Share-based compensation	—	—	15,706	—	—	15,706
Shares issued under employee share purchase plan	58	1,671	—	—	—	1,671
Shares issued pursuant to exercise of stock options	269	5,304	(1,914)	—	—	3,390
Shares issued or distributed pursuant to vesting of restricted share units	364	7,709	(12,229)	—	—	(4,520)
Shares repurchased for cancellation (note 13(d))	(11,512)	(7,692)	—	—	(320,924)	(328,616)
Share repurchases for settlement of non-Treasury RSUs (note 13(e))	(198)	(135)	—	—	(6,145)	(6,280)
Dividends declared	—	—	447	—	(85,269)	(84,822)
Transactions with shareholders of the Company recognized directly in equity	(11,019)	6,857	2,010	—	(412,338)	(403,471)
Cash flow hedges (note 14(d))	—	—	—	(27,071)	—	(27,071)
Actuarial loss on employee benefit obligations (note 12(a))	—	—	—	—	(64)	(64)
Net earnings	—	—	—	—	362,334	362,334
Comprehensive income	—	—	—	(27,071)	362,270	335,199
Balance, December 31, 2017	**219,199**	**$ 159,170**	**$ 25,208**	**$ 13,540**	**$ 1,853,457**	**$ 2,051,375**

See accompanying notes to consolidated financial statements.

GILDAN ACTIVEWEAR INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Fiscal years ended December 31, 2017 and January 1, 2017
(in thousands of U.S. dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Net earnings	**$ 362,334**	$ 346,638
Adjustments to reconcile net earnings to cash flows from operating activities (note 21(a))	**175,199**	158,447
	537,533	505,085
Changes in non-cash working capital balances:		
Trade accounts receivable	**38,924**	57,097
Income taxes	**(5,424)**	(1,716)
Inventories	**27,102**	(15,188)
Prepaid expenses, deposits and other current assets	**(5,227)**	7,070
Accounts payable and accrued liabilities	**20,452**	(14,450)
Cash flows from operating activities	**613,360**	537,898
Cash flows from (used in) investing activities:		
Purchase of property, plant and equipment	**(91,951)**	(129,408)
Purchase of intangible assets	**(2,845)**	(10,833)
Business acquisitions (note 5)	**(115,776)**	(163,947)
Proceeds on disposal of property, plant and equipment	**542**	833
Cash flows used in investing activities	**(210,030)**	(303,355)
Cash flows from (used in) financing activities:		
Increase (decrease) in amounts drawn under revolving long-term bank credit facility	**30,000**	(375,000)
Proceeds from term loan	**—**	300,000
Proceeds from issuance of notes	**—**	300,000
Dividends paid	**(84,822)**	(74,382)
Withholding taxes paid pursuant to the settlement of non-Treasury RSUs	**(4,520)**	(4,696)
Proceeds from the issuance of shares	**4,900**	2,209
Repurchase and cancellation of shares (note 13(d))	**(328,616)**	(394,451)
Share repurchases for settlement of non-Treasury RSUs (note 13(e))	**(6,280)**	—
Cash flows used in financing activities	**(389,338)**	(246,320)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**606**	(701)
Net increase (decrease) in cash and cash equivalents during the fiscal year	**14,598**	(12,478)
Cash and cash equivalents, beginning of fiscal year	**38,197**	50,675
Cash and cash equivalents, end of fiscal year	**$ 52,795**	$ 38,197
Cash paid (included in cash flows from operating activities):		
Interest	**$ 16,658**	$ 10,670
Income taxes, net of refunds	**15,209**	9,349

Supplemental disclosure of cash flow information (note 21)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal years ended December 31, 2017 and January 1, 2017
(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" or "Gildan") 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. The Company's fiscal year ends on the Sunday closest to December 31 of each year.

The address of the Company's registered office is 600 de Maisonneuve Boulevard West, Suite 3300, Montreal, Quebec. These consolidated financial statements are as at and for the fiscal years ended December 31, 2017 and January 1, 2017 and 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.

2. BASIS OF PREPARATION:

(a) **Statement of compliance:**
These 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 December 31, 2017 were authorized for issuance by the Board of Directors of the Company on February 21, 2018.

(b) **Basis of measurement:**
These 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;
- Employee benefit obligations related to defined benefit plans which are measured at the present value of the defined benefit obligations, net of advance payments made to employees thereon;
- 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; and
- Identifiable assets acquired and liabilities assumed in connection with a business combination which are initially measured at fair value.

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

3. SIGNIFICANT ACCOUNTING POLICIES:

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

(a) **Basis of consolidation:**

(i) Business combinations:

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

(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 Branded Apparel 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 Activewear (UK) Limited	United Kingdom	100%
Gildan Hosiery Rio Nance, S. de R.L.	Honduras	100%
Gildan Activewear Honduras Textile Company, S. de R.L.	Honduras	100%
Gildan Activewear (Eden) Inc.	North Carolina	100%
Gildan Mayan Textiles, S. de R.L.	Honduras	100%
A.K.H., S. de R. L.	Honduras	100%

The Company has no other subsidiaries representing individually more than 10% of the total consolidated assets and 10% of the consolidated net sales of the Company, or in the aggregate more than 20% of the total consolidated assets and the consolidated net sales of the Company as at and for the fiscal year ended December 31, 2017.

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.

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

(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 overhead 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 of finished goods 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 available for use.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

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

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

(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 de-recognizes 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

(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 bearing interest at variable and fixed 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 has no significant financial liabilities measured at fair value.

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

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

Cash flow hedges

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

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 within a financial liability 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(n) **Long-term debt:**

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

(o) **Employee benefits:**

Short-term employee benefits

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

Defined contribution plans

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

Defined benefit plans

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

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

(p) **Provisions:**

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

Decommissioning and site restoration costs

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

Onerous contracts

Provisions for onerous contracts are 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. When the shares are cancelled, the excess of the consideration paid over the average stated value of the shares purchased for cancellation is charged to retained earnings.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

Restructuring and acquisition-related costs are expensed when incurred, or when a legal or constructive obligation exists. Restructuring and acquisition-related costs are comprised of costs directly related to the closure of business locations or the relocation of business activities, significant changes in management structure, as well as transaction and integration costs incurred pursuant to business acquisitions. The nature of expenses included in restructuring and acquisition-related costs may 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; legal, accounting and other professional fees (excluding costs of issuing debt or equity) directly incurred in connection with a business acquisition; purchase gains on business acquisitions; losses on business acquisitions achieved in stages; contingent amounts payable to selling shareholders under their employment agreements pursuant to a business acquisition; and the remeasurement of liabilities related to contingent consideration incurred in connection with a business acquisition.

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

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

(y) **Government assistance:**

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

(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; amortization of debt facility fees, discount on the sales of trade accounts receivable; interest income on funds invested; accretion of interest on discounted provisions; net foreign currency losses and/or gains; and losses and/or gains on financial derivatives that do not meet the criteria for effective hedge accounting.

(aa) **Income taxes:**

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

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

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, Treasury, and non-Treasury restricted share units

Stock options, Treasury restricted share units, and non-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 and non-Treasury restricted share units, compensation cost is measured at the fair value of the underlying common share at the grant date, 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, the vesting of Treasury restricted share units, and upon delivery of the common shares for settlement of vesting non-Treasury restricted share units, the corresponding amounts previously credited to contributed surplus are transferred to share capital. The number of non-Treasury restricted share units remitted to the participants upon settlement is equal to the number of non-Treasury restricted share units awarded less units withheld to satisfy the participants' statutory withholding tax requirements. 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.

Estimates for forfeitures and performance conditions

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

Deferred share unit plan

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

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

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

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

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

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

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

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

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

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

***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:

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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 could 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, including discounts and rebates, are granted to our customers. 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 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 fully recoverable is more difficult than anticipated, additional provisions may be required.

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

Recoverability and impairment of non-financial assets
The calculation of fair value less costs of disposal or value in use for purposes of measuring the recoverable amount of non-financial assets involves the use of significant assumptions and estimates with respect to a variety of factors, including expected sales, gross margins, SG&A expenses, cash flows, capital expenditures, and the selection of an appropriate earnings multiple or discount rate, all of which are subject to inherent uncertainties and subjectivity. The assumptions are based on annual business plans and other forecasted results, earnings multiples obtained by using market comparables as references, and discount rates which are used to reflect market-based estimates of the risks associated with the projected cash flows, based on the best information available as of the date of the impairment test. Changes in circumstances, such as technological advances, adverse changes in third-party licensing arrangements, changes to the Company's business strategy, and changes in economic and market conditions can result in actual useful lives and future cash flows that differ 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 the associated cash flows materially decrease, the Company may be required to record material impairment charges related to its non-financial assets. Please refer to note 10 of the audited annual consolidated financial statements for the year ended December 31, 2017 for additional details on the recoverability of the Company's cash-generating units.

Valuation of statutory severance obligations and the related costs
The valuation of the statutory severance obligations and the related costs requires economic assumptions, including discount rates and expected rates of compensation increases, and participant demographic assumptions. The actuarial

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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 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 an assumed discount rate. Revisions to any of the assumptions and estimates used by management may result in changes to the expected expenditures to settle the liability, which would require adjustments to the provision and which may have an impact on the operating results of the Company in the period the change occurs.

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

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET APPLIED:

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

IFRS 15 provides a single model in order to depict the transfer of promised goods or services to customers and supersedes IAS 11, Construction Contracts, IAS 18, Revenue, and a number of revenue-related interpretations (IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue - Barter Transactions Involving Advertising Services). The standard prescribes a five-step approach to revenue recognition: (1) identify the contracts with the customer; (2) identify the separate performance obligations in the contracts; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when, or as, each performance obligation is satisfied. New disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers are also required. IFRS 15 is effective for the Company's fiscal year beginning on January 1, 2018, and can be applied retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to opening retained earnings at the date of initial adoption (modified retrospective method). Upon transition, an entity can elect to apply IFRS 15 with or without certain practical expedients.

The Company has reviewed the new standard against its existing accounting policies and practices, including reviewing standard purchase orders, invoices, shipping terms, and contracts with customers, including discount arrangements, within its significant revenue streams in order to assess any terms that can represent additional performance obligations and to evaluate transaction price considerations. The majority of the Company's contracts with customers are contracts in which the sale of finished products is generally expected to be the only performance obligation. The Company has concluded that the revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally upon shipment of products to customers, consistent with its current practice. Some contracts with customers provide incentive programs, including discounts, promotions, advertising allowances, and other volume-based incentives. Currently, the Company recognizes revenue from the sale of goods measured at the fair value of the consideration received or receivable,

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET APPLIED (continued):

Revenues from contracts with customers (continued):

net of provisions for customer incentives and for sales returns. Such incentives give rise to variable consideration under IFRS 15, which is also estimated at contract inception.

The Company will adopt the new standard in the first quarter of fiscal 2018 using the modified retrospective transition method. The Company has concluded that the new guidance under IFRS 15 will not have a material impact on recognition and amounts in its consolidated financial statements. The Company expects to record a non-cash adjustment to reduce retained earnings by less than $2.0 million at January 1, 2018 on initial adoption, representing the gross margin on estimated net sales for which revenue recognition should be delayed under the guidance of IFRS 15. The Company is completing the assessment of the overall impact on the Company's disclosures and is addressing any system and process changes necessary to compile the information to meet the recognition and disclosure requirements of the new guidance starting in the first quarter of fiscal 2018.

Financial Instruments

In July 2014, the IASB issued 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. IFRS 9 (2014) must be applied retroactively; however, it contains significant exemptions from retroactive application for the classification and measurement requirements of the new standard, including impairment. The Company expects to record a non-cash adjustment of approximately $1.0 million to reduce retained earnings at January 1, 2018, as a result of the adoption of IFRS 9 (2014), reflecting additional allowance for doubtful accounts from the new expected credit loss model.

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 adoption permitted only if IFRS 15, Revenue from Contracts with Customers, has also been applied. The Company will adopt the new standard in the first quarter of fiscal 2019, and expects to use the modified retrospective transition method. The Company expects that the initial adoption of IFRS 16 will result in approximately $120 million of operating lease liabilities (primarily for the rental of premises), being recognized in the consolidated statement of financial position, with a corresponding right-of-use asset being recognized. The Company also expects a decrease of its operating lease costs, offset by a corresponding increase of its financial expenses and depreciation and amortization resulting from the changes in the recognition, measurement and presentation requirements. However, no significant impact on net earnings is expected at this time.

Uncertain Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty Over Income Tax Treatments, which clarifies how to apply the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty regarding income tax treatments. The Interpretation addresses whether an entity needs to consider uncertain tax treatments separately, the assumptions an entity should make about the examination of tax treatments by taxation authorities, how an entity should determine taxable profit and loss, tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances in such determinations. IFRIC 23 applies to annual reporting periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is currently evaluating the impact of the adoption of IFRIC 23 on the consolidated financial statements.

5. BUSINESS ACQUISITIONS:

Fiscal 2017 Acquisitions:

American Apparel

On February 8, 2017, the Company acquired the American Apparel® brand and certain assets from American Apparel, LLC, ("American Apparel"), which filed for Chapter 11 bankruptcy protection on November 14, 2016. The acquisition was effected through a court supervised auction during which Gildan emerged as the successful bidder with a final cash bid of $88.0 million. The Company also acquired inventory from American Apparel for approximately $10.5 million. The total consideration transferred for this acquisition was therefore $98.5 million (of which $91.9 million was paid in fiscal 2017 and $6.6 million was paid in the fourth quarter of fiscal 2016). The acquisition was financed by the utilization of the Company's long-term bank credit facilities. The American Apparel® brand is a highly recognized brand among consumers and within the North American printwear channel and is a strong complementary addition to Gildan's growing brand portfolio. The acquisition provides the opportunity to grow American Apparel® sales by leveraging the Company's extensive printwear distribution networks in North America and internationally to drive further share in the fashion basics category of these markets.

Goodwill recorded in connection with this acquisition is fully deductible for tax purposes. Goodwill is primarily attributable to expected synergies, which were not recorded separately since they did not meet the recognition criteria for identifiable intangible assets. Results from the sale of products under the American Apparel® brand are included in the Printwear segment. The consolidated results of the Company for fiscal 2017 include net sales of $49.1 million and a net loss of $1.0 million (including restructuring and acquisition-related costs) relating to American Apparel since the date of acquisition.

If the acquisition of American Apparel 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 fiscal 2017 would have been $2,755.6 million and $361.2 million respectively. These pro forma figures are based on estimated results of American Apparel's operations prior to being purchased by the Company, adjusted to reflect fair value adjustments which arose on the date of the acquisition, as if the acquisition occurred on January 2, 2017, and should not be viewed as indicative of the Company's future results.

Other

On July 17, 2017, the Company acquired substantially all of the assets of a ring-spun yarn manufacturer with two facilities located in Columbus, Georgia for cash consideration of $13.5 million, including a balance due of $1.3 million to be paid within eighteen months of closing. The transaction also resulted in the effective settlement of $1.2 million of trade accounts payable owed by Gildan to the manufacturer prior to the acquisition. Goodwill recorded in connection with this acquisition is fully deductible for tax purposes. Goodwill is attributable primarily to the assembled workforce and was not recorded separately since it did not meet the recognition criteria for identifiable intangible assets. The net sales and net earnings attributable to this acquisition since July 17, 2017 were not significant.

On April 4, 2017, the Company acquired a 100% interest in an Australian based activewear distributor for cash consideration of $5.7 million. The transaction also resulted in the effective settlement of $2.9 million of trade accounts receivable due to Gildan prior to the acquisition. The net sales and net earnings attributable to this acquisition since April 4, 2017 were not significant.

The Company accounted for its acquisitions using the acquisition method in accordance with IFRS 3, Business Combinations. The Company determined the fair value of the assets acquired based on management's best estimate of their fair values and taking into account all relevant information available at that time. The Company has not yet finalized the assessment of the estimated fair values of the inventories and equipment acquired for the acquisitions made on April 4, 2017 and July 17, 2017. The Company expects to finalize its assessment during the first half of fiscal 2018.

The following table summarizes the amounts recognized for the assets acquired and liabilities assumed at the date of acquisition for the fiscal 2017 acquisitions:

5. BUSINESS ACQUISITIONS (continued):

	American Apparel	Other	Total
Assets acquired:			
Trade accounts receivable	$ —	$ 1,893	$ 1,893
Income taxes receivable	—	235	235
Inventories	11,052	7,235	18,287
Prepaid expenses, deposits and other current assets	—	4,100	4,100
Property, plant and equipment	1,527	3,011	4,538
Intangible assets (1)	67,400	2,958	70,358
	79,979	19,432	99,411
Liabilities assumed:			
Accounts payable and accrued liabilities	—	(3,822)	(3,822)
Goodwill	18,562	5,525	24,087
Net assets acquired at fair value	$ 98,541	$ 21,135	$ 119,676
Cash consideration paid at closing, net of cash acquired	98,541	18,069	116,610
Settlement of pre-existing relationships	—	1,766	1,766
Balance due	—	1,300	1,300
	$ 98,541	$ 21,135	$ 119,676

(1) The intangible assets acquired relating to American Apparel are comprised of trademarks in the amount of $51.4 million which are not being amortized as they are considered to be indefinite life intangible assets, and customer relationships in the amount of $16.0 million which are being amortized on a straight line basis over their estimated useful lives of ten years. The intangible assets acquired relating to other acquisitions is comprised of customer relationships in the amount $3.0 million which are being amortized on a straight line basis over their estimated useful lives of fifteen years.

Fiscal 2016 Acquisitions:

Peds Legwear, Inc.
On August 22, 2016, the Company acquired a 100% interest in Peds Legwear, Inc. ("Peds") for total consideration of $51.9 million (net of cash acquired and income tax liabilities assumed), of which $47.9 million was paid at closing and a balance due of $4.0 million paid in fiscal 2017. Excluding the income tax liabilities and certain non-operational liabilities assumed, the gross consideration was $55.0 million. The acquisition was financed by the utilization of the Company's long-term bank credit facilities. Peds is a marketer of quality foot apparel and legwear products, including ladies no-show liners, socks and sheer, and therapeutic hosiery sold mainly under the Peds® and MediPeds® brands to U.S. and Canadian retailers. The acquisition is expected to create revenue growth opportunities by leveraging Gildan's existing customer relationships to broaden the channels of distribution for the Peds® and MediPeds® brands and by extending these brands into Gildan's other product categories. In addition, Peds' current distribution into the footwear channel provides broader access in this channel for Gildan's brands and product portfolio. Goodwill recorded in connection with this acquisition is partially deductible for tax purposes. Goodwill is attributable primarily to Peds' assembled workforce and expected synergies, which were not recorded separately since they did not meet the recognition criteria for identifiable intangible assets. The operating results of Peds are included in the Branded Apparel segment.

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

5. BUSINESS ACQUISITIONS (continued):

Goodwill recorded in connection with this acquisition is fully deductible for tax purposes. Goodwill is attributable primarily to Alstyle's assembled workforce, which was not recorded separately since it did not meet the recognition criteria for identifiable intangible assets. The operating results of Alstyle are included in the Printwear segment.

The following table summarizes the amounts recognized for the assets acquired and liabilities assumed at the date of acquisition for the fiscal 2016 acquisitions:

	Peds	Alstyle	Total
Assets acquired:			
Trade accounts receivable	$ 11,821	$ 19,113	$ 30,934
Inventories	20,548	62,677	83,225
Prepaid expenses, deposits and other current assets	1,180	3,831	5,011
Property, plant and equipment	5,442	26,337	31,779
Intangible assets (1)	26,484	7,500	33,984
Deferred income taxes	1,380	—	1,380
	66,855	119,458	186,313
Liabilities assumed:			
Accounts payable and accrued liabilities	(16,376)	(11,629)	(28,005)
Income taxes payable	(2,521)	—	(2,521)
Deferred income taxes	(4,069)	—	(4,069)
	(22,966)	(11,629)	(34,595)
Goodwill	7,980	1,649	9,629
Net assets acquired at fair value	$ 51,869	$ 109,478	$ 161,347
Cash consideration paid at closing, net of cash acquired	47,869	109,478	157,347
Balance due (paid in fiscal 2017)	4,000	—	4,000
	$ 51,869	$ 109,478	$ 161,347

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

6. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted entirely of bank balances as at December 31, 2017 and January 1, 2017.

7. TRADE ACCOUNTS RECEIVABLE:

	December 31, 2017	January 1, 2017
Trade accounts receivable	**$ 248,419**	$ 283,322
Allowance for doubtful accounts	**(5,054)**	(5,589)
	$ 243,365	$ 277,733

As at December 31, 2017, trade accounts receivables being serviced under a receivables purchase agreement amounted to $92.8 million (January 1, 2017 - $80.5 million). The receivables purchase agreement, which allows for the sale of a maximum of $175 million of accounts receivables at any one time, expires on June 26, 2018, subject to annual extensions.

The difference between the carrying amount of the receivables sold under the agreement and the cash received at the time of transfer was $1.7 million for fiscal 2017 (2016 - $0.7 million), and was recorded in bank and other financial charges.

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

	December 31, 2017	January 1, 2017
Balance, beginning of fiscal year	**$ (5,589)**	$ (4,601)
Bad debt recovery (expense)	**(3,689)**	92
Write-off of trade accounts receivable	**4,224**	524
Increase due to business acquisitions	**—**	(1,604)
Balance, end of fiscal year	**$ (5,054)**	$ (5,589)

8. INVENTORIES:

	December 31, 2017	January 1, 2017
Raw materials and spare parts inventories	**$ 128,414**	$ 119,155
Work in progress	**60,743**	56,397
Finished goods	**756,581**	779,324
	$ 945,738	$ 954,876

The amount of inventories recognized as an expense and included in cost of sales was $1,884.8 million for fiscal 2017 (2016 - $1,810.3 million), which included an expense of $18.0 million (2016 - $11.3 million) related to the write-down of inventory to net realizable value.

9. PROPERTY, PLANT AND EQUIPMENT:

2017	Land	Buildings and improvements	Manufacturing equipment	Other equipment	Assets not yet utilized in operations	Total
Cost						
Balance, January 1, 2017	$ 69,373	$ 504,186	$ 997,993	$ 167,651	$ 50,607	$ 1,789,810
Additions	630	7,515	17,565	10,852	55,640	92,202
Additions through business acquisitions	—	29	4,153	356	—	4,538
Transfers	—	2,601	25,062	1,195	(28,858)	—
Disposals	—	(1,933)	(4,799)	(4,414)	—	(11,146)
Balance, December 31, 2017	**$ 70,003**	**$ 512,398**	**$ 1,039,974**	**$ 175,640**	**$ 77,389**	**$ 1,875,404**
Accumulated depreciation						
Balance, January 1, 2017	$ —	$ 132,976	$ 483,742	$ 96,209	$ —	$ 712,927
Depreciation	—	24,719	92,904	18,610	—	136,233
Disposals	—	(655)	(4,799)	(4,120)	—	(9,574)
Balance, December 31, 2017	**$ —**	**$ 157,040**	**$ 571,847**	**$ 110,699**	**$ —**	**$ 839,586**
Carrying amount, December 31, 2017	**$ 70,003**	**$ 355,358**	**$ 468,127**	**$ 64,941**	**$ 77,389**	**$ 1,035,818**

2016	Land	Buildings and improvements	Manufacturing equipment	Other equipment	Assets not yet utilized in operations	Total
Cost						
Balance, January 3, 2016	$ 65,687	$ 439,276	$ 903,502	$ 156,492	$ 75,576	$ 1,640,533
Additions	2,727	17,390	46,165	9,870	50,607	126,759
Additions through business acquisitions	839	17,672	12,651	617	—	31,779
Transfers from assets held for sale	120	3,855	—	248	—	4,223
Transfers	—	28,028	45,140	2,408	(75,576)	—
Disposals	—	(2,035)	(9,465)	(1,984)	—	(13,484)
Balance, January 1, 2017	$ 69,373	$ 504,186	$ 997,993	$ 167,651	$ 50,607	$ 1,789,810
Accumulated depreciation						
Balance, January 3, 2016	$ —	$ 109,204	$ 404,663	$ 82,277	$ —	$ 596,144
Depreciation	—	22,828	86,242	15,668	—	124,738
Transfers from assets held for sale	—	1,732	—	248	—	1,980
Disposals	—	(788)	(7,163)	(1,984)	—	(9,935)
Balance, January 1, 2017	$ —	$ 132,976	$ 483,742	$ 96,209	$ —	$ 712,927
Carrying amount, January 1, 2017	$ 69,373	$ 371,210	$ 514,251	$ 71,442	$ 50,607	$ 1,076,883

Assets not yet utilized in operations include expenditures incurred to date for plant expansions which are still in process, and equipment not yet placed into service as at the end of the reporting period.

During fiscal 2016, the Company ceased to classify certain property and equipment as held for sale since the criteria for this classification were no longer met. The Company transferred these assets to property, plant and equipment at the lower of their carrying amounts as adjusted for depreciation not recognized during the period the assets were held for sale, and their recoverable amount.

As at December 31, 2017, there were contractual purchase obligations outstanding of approximately $46.2 million for the acquisition of property, plant and equipment compared to $44.7 million as of January 1, 2017.

10. INTANGIBLE ASSETS AND GOODWILL:

Intangible assets:

2017	Customer contracts and customer relationships	Trademarks	License agreements	Computer software	Non-compete agreements	Total
Cost						
Balance, January 1, 2017	$ 205,531	$ 174,772	$ 59,498	$ 48,776	$ 1,880	$ 490,457
Additions	—	—	—	2,852	—	2,852
Additions through business acquisitions	18,958	51,400	—	—	—	70,358
Disposals	—	—	—	(1,857)	—	(1,857)
Balance, December 31, 2017	**$ 224,489**	**$ 226,172**	**$ 59,498**	**$ 49,771**	**$ 1,880**	**$ 561,810**
Accumulated amortization						
Balance, January 1, 2017	$ 62,185	$ 125	$ 42,586	$ 29,528	$ 1,812	$ 136,236
Amortization	13,287	983	6,448	4,808	68	25,594
Disposals	—	—	—	(1,625)	—	(1,625)
Balance, December 31, 2017	**$ 75,472**	**$ 1,108**	**$ 49,034**	**$ 32,711**	**$ 1,880**	**$ 160,205**
Carrying amount, December 31, 2017	**$ 149,017**	**$ 225,064**	**$ 10,464**	**$ 17,060**	**$ —**	**$ 401,605**

2016	Customer contracts and customer relationships	Trademarks	License agreements	Computer software	Non-compete agreements	Total
Cost						
Balance, January 3, 2016	$ 191,831	$ 154,972	$ 58,300	$ 44,972	$ 1,880	$ 451,955
Additions	—	—	1,198	4,084	—	5,282
Additions through business acquisitions	13,700	19,800	—	484	—	33,984
Disposals	—	—	—	(764)	—	(764)
Balance, January 1, 2017	$ 205,531	$ 174,772	$ 59,498	$ 48,776	$ 1,880	$ 490,457
Accumulated amortization						
Balance, January 3, 2016	$ 50,740	$ —	$ 36,140	$ 26,600	$ 1,722	$ 115,202
Amortization	11,445	125	6,446	3,183	90	21,289
Disposals	—	—	—	(255)	—	(255)
Balance, January 1, 2017	$ 62,185	$ 125	$ 42,586	$ 29,528	$ 1,812	$ 136,236
Carrying amount, January 1, 2017	$ 143,346	$ 174,647	$ 16,912	$ 19,248	$ 68	$ 354,221

The carrying amount of internally-generated assets within computer software was $11.7 million as at December 31, 2017 and $13.9 million as at January 1, 2017. Included in computer software as at December 31, 2017 is $5.1 million (January 1, 2017 - $9.9 million) of assets not yet utilized in operations.

10. INTANGIBLE ASSETS AND GOODWILL (continued):

Goodwill:

		December 31, 2017		January 1, 2017
Balance, beginning of fiscal year	**$**	**202,108**	$	190,626
Goodwill acquired (note 5)		**24,087**		9,629
Other [(1)]		**376**		1,853
Balance, end of fiscal year	**$**	**226,571**	$	202,108

(1) The increase in goodwill for fiscal 2016 relates to the acquisition of Doris Inc. ("Doris") in fiscal 2014, and reflects additional deferred income tax liabilities in accordance with the revised guidance to IAS 12 which was adopted in fiscal 2016.

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:

		December 31, 2017		January 1, 2017
Branded Apparel:				
Goodwill	**$**	**180,860**	$	180,482
Trademarks with an indefinite life		**129,272**		129,272
	$	**310,132**	$	309,754
Printwear:				
Goodwill	**$**	**40,186**	$	21,626
Trademarks with an indefinite life		**93,400**		42,000
	$	**133,586**	$	63,626
Yarn-Spinning:				
Goodwill	**$**	**5,525**	$	—
	$	**5,525**	$	—

In assessing whether goodwill and indefinite life intangible assets are impaired, the carrying amount of the CGUs (including goodwill and indefinite life intangible assets) are compared to their recoverable amount. The recoverable amounts of CGUs are based on the higher of the value in use and fair value less costs of disposal. The Company performed the annual impairment review for goodwill and indefinite life intangible assets during fiscal 2017, 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, Printwear, and Yarn-Spinning CGU's based on the fair value less costs of disposal method. The fair values of the Branded Apparel, Printwear, and Yarn-Spinning CGU's were based on a multiple applied to forecasted adjusted EBITDA for the next year, which takes into account financial forecasts approved by senior management. The key assumptions for the fair value less costs of disposal method include estimated sales volumes, selling prices, input costs, and SG&A expenses in determining future forecasted adjusted EBITDA, as well as the multiple applied to forecasted adjusted EBITDA. The adjusted EBITDA multiple was obtained by using market comparables as a reference. The values assigned to the key assumptions represent management's assessment of future trends and have been based on historical data from external and internal sources. For the Printwear and Yarn-spinning CGU's, 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.

10. INTANGIBLE ASSETS AND GOODWILL (continued):

Branded Apparel CGU

The estimated recoverable amount of the Branded Apparel CGU exceeded its carrying amount by approximately 10%. The key assumptions used in the estimation of the recoverable amount for the Branded Apparel CGU are the risk adjusted forecasted adjusted EBITDA for the next year and the adjusted EBITDA multiple of 11. The most significant assumptions that form part of the risk adjusted forecasted adjusted EBITDA for the Branded Apparel CGU relate to continuing sales trends in the retail market and the reduction in SG&A expenses arising from the internal organizational realignment of the Branded Apparel business unit initiated in December 2017 to be in line with these sales trends in this market.

Management has identified that a reasonably possible change in forecasted adjusted EBITDA or adjusted EBITDA multiple could cause the carrying amount of the Branded Apparel CGU to exceed its recoverable amount. A decrease in the risk adjusted forecasted adjusted EBITDA of 10% in the Branded Apparel CGU or a decrease in the adjusted EBITDA multiple by a factor of 1 would result in the estimated recoverable amount being equal to the carrying amount. A further decrease in the risk adjusted forecasted adjusted EBITDA or the adjusted EBITDA multiple may result in the Company recording an impairment charge relating to the Branded Apparel CGU.

11. LONG-TERM DEBT:

	Effective interest rate (1)	Principal amount December 31, 2017	Principal amount January 1, 2017	Maturity date
Revolving long-term bank credit facility, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 2% (2)	**2.3%**	**$ 30,000**	$ —	**April 2022**
Revolving long-term bank credit facility, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 1.25% (3)	**2.1%**	**—**	—	**March 2019**
Term loan, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 2% (4)	**2.2%**	**300,000**	300,000	**June 2021**
Notes payable, interest at fixed rate of 2.70%, payable semi-annually (5)	**2.7%**	**100,000**	100,000	**August 2023**
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.53% payable quarterly (5)	**2.7%**	**50,000**	50,000	**August 2023**
Notes payable, interest at fixed rate of 2.91%, payable semi-annually (5)	**2.9%**	**100,000**	100,000	**August 2026**
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.57% payable quarterly (5)	**2.9%**	**50,000**	50,000	**August 2026**
		$ 630,000	$ 600,000	

(1) Represents the effective interest rate for the year ended December 31, 2017, including the cash impact of interest rate swaps, where applicable.

(2) The Company's unsecured revolving long-term bank credit facility of $1 billion provides for an annual extension which is subject to the approval of the lenders. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the credit facility agreement). In addition, an amount of $14.6 million (January 1, 2017 - $19.0 million) has been committed against this facility to cover various letters of credit.

(3) The Company's unsecured revolving long-term bank credit facility agreement of $300 million, has a one year revolving period followed by a one year term-out period, and provides for an annual extension of the revolving period which is subject to the approval of the lenders. A fixed spread of 1% during the revolving period and 1.25% during the term-out period is added to the U.S. LIBOR-based variable interest rate.

(4) The unsecured five-year term loan of $300 million is non-revolving and can be prepaid in whole or in part at any time with no penalties. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the term loan agreement).

(5) The unsecured notes issued for a total aggregate principal amount of $300 million to accredited investors in the U.S. private placement market can be prepaid in whole or in part at any time, subject to the payment of a prepayment penalty as provided for in the Note Purchase Agreement.

In March 2017, the Company amended its unsecured revolving long-term bank credit facility of $1 billion to extend the maturity date from April 2021 to April 2022, and amended its unsecured revolving long-term bank credit facility agreement of $300 million to extend the maturity date from March 2018 to March 2019.

11. LONG-TERM DEBT (continued):

Under the terms of the revolving facilities, term loan facility, and notes, the Company is required to comply with certain covenants, including maintenance of financial ratios. The Company was in compliance with all financial covenants at December 31, 2017.

12. OTHER NON-CURRENT LIABILITIES:

	December 31, 2017	January 1, 2017
Employee benefit obligation - Statutory severance and pre-notice	**$ 16,096**	$ 14,579
Employee benefit obligation - Defined contribution plan	**3,216**	2,444
Provisions	**17,829**	17,546
	$ 37,141	$ 34,569

(a) Statutory severance and pre-notice obligations:

	December 31, 2017	January 1, 2017
Obligation, beginning of fiscal year	**$ 14,579**	$ 8,882
Service cost	**12,424**	10,953
Interest cost	**6,171**	5,839
Actuarial loss(1)	**64**	5,239
Foreign exchange gain	**(389)**	(527)
Benefits paid	**(16,753)**	(15,807)
Obligation, end of fiscal year	**$ 16,096**	$ 14,579

(1) The actuarial loss is due to changes in the actuarial assumptions used to determine the statutory severance obligations.

Significant assumptions for the calculation of the statutory severance obligations included the use of a discount rate of between 9.20% and 9.65% (2016 - between 9.75% and 9.85%) and rates of compensation increases between 8.0% and 10.0% (2016 - between 7.25% and 7.50%). A 1% increase in the discount rates would result in a corresponding decrease in the statutory severance obligations of $5.3 million, and a 1% decrease in the discount rates would result in a corresponding increase in the statutory severance obligations of $6.6 million. A 1% increase in the rates of compensation increases used would result in a corresponding increase in the statutory severance obligations of $6.6 million, and a 1% decrease in the rates of compensation increases used would result in a corresponding decrease in the statutory severance obligations of $5.4 million.

The cumulative amount of actuarial losses recognized in other comprehensive income as at December 31, 2017 was $22.1 million (January 1, 2017 - $22.0 million) which have been reclassified to retained earnings in the period in which they were recognized.

(b) Defined contribution plan:

During fiscal 2017, defined contribution expenses were $4.4 million (2016 - $3.4 million).

12. OTHER NON-CURRENT LIABILITIES (continued):

(c) Provisions:

	Decommissioning and site restoration costs	Lease exit costs	**Total**
Balance, January 1, 2017	$ 16,024	$ 1,522	**$ 17,546**
Changes in estimates made during the fiscal year	237	—	**237**
Provisions utilized during the fiscal year	—	(265)	**(265)**
Accretion of interest	311	—	**311**
Balance, December 31, 2017	**$ 16,572**	**$ 1,257**	**$ 17,829**

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 December 31, 2017 and January 1, 2017, none of the first and second preferred shares were issued.

Issued:
As at December 31, 2017, there were 219,198,989 common shares (January 1, 2017 - 230,218,171) issued and outstanding, which are net of 4,308 common shares (January 1, 2017 - 21,125) that have been purchased and are held in trust as described in note 13(e).

(d) Normal course issuer bid:

On February 23, 2017, the Company announced the renewal of a normal course issuer bid ("NCIB") beginning February 27, 2017 and ending on February 26, 2018, to purchase for cancellation up to 11,512,267 common shares of the Company, representing approximately 5% of the Company's issued and outstanding common shares as of February 17, 2017.

On November 1, 2017, the Company obtained approval from the TSX to amend its NCIB program in order to increase the maximum number of common shares that may be repurchased from 11,512,267 common shares, or 5% of the Company's issued and outstanding common shares as at February 17, 2017 (the reference date for the NCIB), to 16,117,175 common shares, representing approximately 7.2% of the public float (or 7% of the Company's issued and outstanding common shares) as at February 17, 2017. No other terms of the NCIB were amended.

13. EQUITY (continued):

(d) Normal course issuer bid (continued):

During the year ended December 31, 2017, the Company repurchased for cancellation a total of 11,512,267 common shares under the NCIB for a total cost of $328.6 million, of which a total of 877,000 common shares were repurchased by way of private agreements with arm's length third-party sellers. Of the total cost of $328.6 million, $7.7 million was charged to share capital and $320.9 million was charged to retained earnings.

During the fiscal year ended January 1, 2017, the Company repurchased for cancellation a total of 13,775,248 common shares under a previous NCIB for a total cost of $394.5 million, of which a total of 4,025,000 common shares were repurchased by way of private agreements with arm's length third-party sellers. Of the total cost of $394.5 million, $8.6 million was charged to share capital and $385.8 million was charged to retained earnings.

On February 21, 2018, the Board of Directors of the Company approved the initiation of a new NCIB commencing on February 27, 2018 to purchase for cancellation up to 10,960,391 common shares, representing approximately 5% of the Company's issued and outstanding common shares. Gildan is authorized to make purchases under the NCIB during the period from February 27, 2018 to February 26, 2019 in accordance with the requirements of the TSX. Purchases will be made by means of open market transactions on both the TSX and the NYSE, or alternative trading systems, if eligible, or by such other means as a securities regulatory authority may permit, including by private agreements under an issuer bid exemption order issued by securities regulatory authorities in Canada. Under the bid, Gildan may purchase up to a maximum of 114,889 shares daily through TSX facilities, which represents 25% of the average daily trading volume on the TSX for the most recently completed six calendar months.

(e) Common shares purchased as settlement for non-Treasury RSUs:

The Company has established a trust for the purpose of settling the vesting of non-Treasury RSUs. For non-Treasury RSUs that are to be settled in common shares in lieu of cash, the Company directs the trustee to purchase common shares of the Company on the open market to be held in trust for and on behalf of the holders of non-Treasury RSUs until they are delivered for settlement, when the non-Treasury RSUs vest. For accounting purposes, the common shares are considered as held in treasury, and recorded as a temporary reduction of outstanding common shares and share capital. Upon delivery of the common shares for settlement of the non-Treasury RSUs, the number of common shares outstanding is increased, and the amount in contributed surplus is transferred to share capital. As at December 31, 2017, a total of 4,308 common shares purchased as settlement for non-Treasury RSUs were considered as held in treasury, and recorded as a temporary reduction of outstanding common shares and share capital (January 1, 2017 - 21,125 common shares).

(f) Contributed surplus:

The contributed surplus account is used to record the accumulated compensation expense related to equity-settled share based compensation transactions. Upon the exercise of stock options, the vesting of Treasury RSUs, and the delivery of common shares for settlement of vesting non-Treasury RSUs, the corresponding amounts previously credited to contributed surplus are transferred to share capital.

14. FINANCIAL INSTRUMENTS:

Disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk, as well as risks arising from commodity prices, and how the Company manages those risks, are included in the section entitled "Financial risk management" of the Management's Discussion and Analysis of the Company's operations, financial performance and financial position as at December 31, 2017 and January 1, 2017. 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:

		December 31, 2017		January 1, 2017
Financial assets				
Amortized cost:				
Cash and cash equivalents	**$**	**52,795**	$	38,197
Trade accounts receivable		**243,365**		277,733
Financial assets included in prepaid expenses, deposits and other current assets		**28,711**		22,722
Long-term non-trade receivables included in other non-current assets		**2,781**		476
Derivative financial instruments designated as effective hedging instruments included in prepaid expenses, deposits and other current assets		**15,688**		32,572
Derivative financial instruments included in prepaid expenses, deposits and other current assets - total return swap		**1,232**		—
Financial liabilities				
Amortized cost:				
Accounts payable and accrued liabilities	**$**	**255,832**	$	231,927
Long-term debt - bearing interest at variable rates		**430,000**		400,000
Long-term debt - bearing interest at fixed rates (1)		**200,000**		200,000
Derivative financial instruments designated as effective hedging instruments included in accounts payable and accrued liabilities		**2,644**		1,515
Derivative financial instruments included in accounts payable and accrued liabilities - total return swap		**—**		620

(1) The fair value of the long-term debt bearing interest at fixed rates was $197.6 million as at December 31, 2017 (January 1, 2017 - $192.5 million).

Short-term financial assets and liabilities
The Company has determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying amounts as at the reporting dates due to the short-term maturities of these instruments, as they bear variable interest-rates or because the terms and conditions are comparable to current market terms and conditions for similar items.

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

14. FINANCIAL INSTRUMENTS (continued):

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

Long-term debt bearing interest at fixed rates

The fair value of the long-term debt bearing interest at fixed rates is determined using the discounted future cash flows method and at discount rates based on yield to maturities for similar issuances. The fair value of the long-term debt bearing interest at fixed rates was measured using Level 2 inputs in the fair value hierarchy. In determining the fair value of the long-term debt bearing interest at fixed rates, the Company takes into account its own credit risk and the credit risk of the counterparties.

Derivatives

The derivative financial instruments designated as effective hedging instruments consist of foreign exchange and commodity forward, option, and swap contracts, as well as floating-to-fixed interest rate swaps to fix the variable interest rates on a designated portion of borrowings under the term loan and unsecured notes. The fair value of the forward contracts is measured using a generally accepted valuation technique which is the discounted value of the difference between the contract's value at maturity based on the rate set out in the contract and the contract's value at maturity based on the rate that the counterparty would use if it were to renegotiate the same contract terms at the measurement date under current conditions. The fair value of the option contracts is measured using option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs, including volatility estimates and option adjusted credit spreads. The fair value of the interest rate swaps is determined based on market data, by measuring the difference between the fixed contracted rate and the forward curve for the applicable floating interest rates.

The Company also has a total return swap ("TRS") outstanding that is intended to reduce the variability of net earnings associated with deferred share units, which are settled in cash. The TRS is not designated as a hedging instrument and, therefore, the fair value adjustment at the end of each reporting period is recognized in selling, general and administrative expenses. The fair value of the TRS is measured by reference to the market price of the Company's common shares, at each reporting date. The TRS has a one-year term, may be extended annually, and the contract allows for early termination at the option of the Company. As at December 31, 2017, the notional amount of TRS outstanding was 284,761 shares.

Derivative financial instruments were measured using Level 2 inputs in the fair value hierarchy. In determining the fair value of 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 2017, the Company entered into foreign exchange and commodity forward, option, and swap contracts in order to minimize the exposure of forecasted cash inflows and outflows in currencies other than the U.S. dollar and to manage its exposure to movements in commodity prices, as well as floating-to-fixed interest rate swaps to fix the variable interest rates on a designated portion of borrowings under the term loan and unsecured notes.

The forward foreign exchange contracts were designated as cash flow hedges and qualified for hedge accounting. The forward foreign exchange contracts outstanding as at December 31, 2017 consisted primarily of contracts to reduce the exposure to fluctuations in Canadian dollars, Euros, Australian dollars, Pounds sterling, and Mexican pesos against the U.S. dollar.

The commodity forward, option, and swap contracts were designated as cash flow hedges and qualified for hedge accounting. The commodity contracts outstanding as at December 31, 2017 consisted primarily of forward, collar, and swap contracts to reduce the exposure to movements in commodity prices.

The floating-to-fixed interest rate swaps were designated as cash flow hedges and qualified for hedge accounting. The floating-to-fixed interest rate swaps contracts outstanding as at December 31, 2017 served to fix the variable interest rates on the designated interest payments of a portion of the Company's long term debt.

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 December 31, 2017:

	Notional foreign currency amount equivalent	Average exchange rate	Notional U.S. $ equivalent	Carrying and fair value: Prepaid expenses, deposits and other current assets	Carrying and fair value: Accounts payable and accrued liabilities	Maturity: 0 to 12 months
Cash flow hedges:						
Forward foreign exchange contracts:						
Sell GBP/Buy USD	28,290	1.3207	$ 37,363	$ —	$ (859)	$ (859)
Sell EUR/Buy USD	31,625	1.1866	37,526	64	(687)	(623)
Sell CAD/Buy USD	45,596	0.7845	35,768	62	(629)	(567)
Buy CAD/Sell USD	52,425	0.7747	40,613	1,189	(26)	1,163
Sell AUD/Buy USD	7,542	0.7608	5,738	6	(142)	(136)
Buy MXN/Sell USD	145,025	0.0515	7,472	—	(280)	(280)
Sell MXN/Buy USD	19,040	0.0491	935	—	(21)	(21)
			$ 165,415	**$ 1,321**	**$ (2,644)**	**$ (1,323)**

The following table summarizes the Company's commodity contracts outstanding as at December 31, 2017:

	Type of commodity	Notional amount	Carrying and fair value: Prepaid expenses, deposits and other current assets	Maturity: 0 to 12 months
Cash flow hedges:				
Forward contracts	Cotton	20,232 pounds	$ 507	$ 507
Swap and collar contracts	Energy	144 barrels	1,706	1,706
			$ 2,213	**$ 2,213**

14. FINANCIAL INSTRUMENTS (continued):

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

The following table summarizes the Company's floating-to-fixed interest rate swap contracts outstanding as at December 31, 2017:

	Notional amount of borrowings	Maturity date	Pay / Receive	Fixed rate	Floating rate	Carrying and fair value: Prepaid expenses, deposits and other current assets
Cash flow hedges:						
	$ 150,000	June 17, 2021	Pay fixed rate / receive floating rate	0.96%	US LIBOR	$ 5,617
	50,000	August 25, 2023	Pay fixed rate / receive floating rate	1.18%	US LIBOR	2,787
	50,000	August 25, 2026	Pay fixed rate / receive floating rate	1.34%	US LIBOR	3,750
	$ 250,000					**$ 12,154**

The following table summarizes the Company's hedged items as at December 31, 2017:

	Carrying amount of the hedged item		Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve (AOCI)
	Assets	Liabilities		
Cash flow hedges:				
Foreign currency risk:				
Forecast sales	$ —	$ —	$ 1,658	$ (1,658)
Forecast expenses	—	—	(883)	883
Commodity risk:				
Forecast purchases	—	—	(2,213)	2,213
Interest rate risk:				
Forecast interest payments	—	—	(12,102)	12,102
	$ —	**$ —**	**$ (13,540)**	**$ 13,540**

No ineffectiveness was recognized in net earnings as the change in value of the hedging instrument used for calculating ineffectiveness was the same or smaller as the change in value of the hedged items used for calculating the ineffectiveness.

14. FINANCIAL INSTRUMENTS (continued):

(c) Financial expenses, net:

		2017		2016
Interest expense on financial liabilities recorded at amortized cost (1)	**$**	**17,126**	$	12,568
Bank and other financial charges		**8,025**		6,348
Interest accretion on discounted provisions		**311**		336
Foreign exchange (gain) loss		**(1,276)**		434
	$	**24,186**	$	19,686

(1) Net of capitalized borrowing costs of $1.2 million (2016 - $0.2 million).

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

		2017		2016
Net gain (loss) on derivatives designated as cash flow hedges:				
Foreign currency risk	**$**	**(6,076)**	$	161
Commodity price risk		**11,087**		33,963
Interest rate risk		**425**		11,678
Income taxes		**60**		(3)
Amounts reclassified from OCI to inventory, related to commodity price risk		**(33,294)**		(4,356)
Amounts reclassified from OCI to net earnings, related to foreign currency risk, and included in:				
Net sales		**1,626**		19
Cost of sales		**(1,042)**		—
Selling, general and administrative expenses		**(2,087)**		(668)
Financial expenses, net (1)		**2,234**		(1,295)
Income taxes		**(4)**		19
Cash flow hedging (loss) gain	**$**	**(27,071)**	$	39,518

(1) The amount reclassified from OCI to net earnings related to interest rate risk was not significant for the year ended December 31, 2017.

The change in the time value element of option and swap contracts designated as cash flow hedges to reduce the exposure in movements of commodity prices was not significant for the year ended December 31, 2017.

The change in the forward element of derivatives designated as cash flow hedges to reduce foreign currency risk was not significant for the year ended December 31, 2017.

Approximately $3.1 million of net gains presented in accumulated other comprehensive income are expected to be reclassified to inventory or net earnings within the next twelve months.

15. SHARE-BASED COMPENSATION:

(a) Employee share purchase plans:

The Company has employee share purchase plans which allow eligible employees to authorize payroll deductions of up to 10% of their salary to purchase from Treasury, common shares of the Company at a price of 90% of the then current share price as defined in the plans. Employees purchasing shares under the plans subsequent to January 1, 2008 must hold the shares for a minimum of two years. The Company has reserved 5,000,000 common shares for issuance under the plans. As at December 31, 2017, a total of 852,255 shares (January 1, 2017 - 794,193) were issued under these plans. Included as compensation costs in selling, general and administrative expenses is $0.2 million (2016 - $0.2 million) relating to the employee share purchase plans.

(b) Stock options and restricted share units:

The Company's Long-Term Incentive Plan (the "LTIP") includes stock options and restricted share units. The LTIP allows the Board of Directors to grant stock options, dilutive restricted share units ("Treasury RSUs") and non-dilutive restricted share units ("non-Treasury RSUs") to officers and other key employees of the Company and its subsidiaries. The number of common shares that are issuable pursuant to the exercise of stock options and the vesting of Treasury RSUs for the LTIP is fixed at 12,000,632. As at December 31, 2017, 1,278,661 common shares remained authorized for future issuance under this plan.

The exercise price payable for each common share covered by a stock option is determined by the Board of Directors at the date of the grant, but may not be less than the closing price of the common shares of the Company on the trading day immediately preceding the effective date of the grant. Stock options granted since fiscal 2007 vest equally beginning on the second, third, fourth, and fifth anniversary of the grant date, with limited exceptions.

Holders of Treasury RSUs, non-Treasury RSUs and deferred share units are entitled to dividends declared by the Company which are recognized in the form of additional equity awards equivalent in value to the dividends paid on common shares. The vesting conditions of the additional equity awards are subject to the same performance objectives and other terms and conditions as the underlying equity awards. The additional awards related to outstanding Treasury RSUs and non-Treasury RSUs expected to be settled in common shares are credited to contributed surplus when the dividends are declared.

Outstanding stock options were as follows:

Stock options issued in Canadian dollars and to be exercised on the TSX:

	Number	Weighted exercise price (CA$)
Stock options outstanding, January 3, 2016	1,895	$ 29.78
Changes in outstanding stock options:		
Granted	714	33.01
Exercised	(77)	13.76
Stock options outstanding, January 1, 2017	2,532	31.18
Changes in outstanding stock options:		
Exercised	**(269)**	**16.43**
Stock options outstanding, December 31, 2017	**2,263**	**$ 32.94**

Stock options issued in U.S. dollars and to be exercised on the NYSE:

	Number	Weighted exercise price (US$)
Stock options outstanding, January 1, 2017	—	$ —
Changes in outstanding stock options:		
Granted	**759**	**29.01**
Stock options outstanding, December 31, 2017	**759**	**$ 29.01**

15. SHARE-BASED COMPENSATION (continued):

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

As at December 31, 2017, 599,562 outstanding options, all of which were issued in Canadian dollars and to be exercised on the TSX, were exercisable at the weighted average exercise price of CA$26.68 (January 1, 2017 - 468,813 options at CA$19.43). For stock options exercised during fiscal 2017, the weighted average share price at the date of exercise was CA$39.23 (2016 - CA$37.32). Based on the Black-Scholes option pricing model, the grant date weighted average fair value of options granted during the twelve months ended December 31, 2017 was $5.15 (January 1, 2017 - $4.07). The following table summarizes the assumptions used in the Black-Scholes option pricing model for the stock option grants for fiscal 2017 and 2016:

	2017	2016
Exercise price	**US$29.01**	CA$33.01
Risk-free interest rate	**1.90%**	0.66%
Expected volatility	**20.78%**	21.85%
Expected life	**4.63 years**	4.63 years
Expected dividend yield	**1.29%**	1.27%

Expected volatilities are based on the historical volatility of Gildan's share price. The risk-free rate used for stock options issued in Canadian dollars and to be exercised on the TSX 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 risk-free rate used for stock options issued in U.S. dollars and to be exercised on the NYSE is equal to the yield available on U.S Department of Treasury 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 December 31, 2017:

	Options issued and outstanding		Options exercisable
Exercise prices	Number	Remaining contractual life (yrs)	Number
CA$13.60	63	1	63
CA$15.59	81	2	81
CA$24.22	261	3	174
CA$30.46	286	4	138
CA$33.01	714	6	—
CA$38.01	575	5	144
CA$42.27	283	8	—
	2,263		600
US$29.01	759	7	—
	3,022		600

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. 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 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.

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, January 3, 2016	292	$ 20.25
Changes in outstanding Treasury RSUs:		
Granted	8	30.08
Granted for dividends declared	3	29.08
Settled through the issuance of common shares	(43)	17.78
Forfeited	(11)	29.20
Treasury RSUs outstanding, January 1, 2017	249	20.70
Changes in outstanding Treasury RSUs:		
Granted for dividends declared	**2**	**29.04**
Settled through the issuance of common shares	**(149)**	**14.12**
Treasury RSUs outstanding, December 31, 2017	**102**	**$ 30.46**

As at December 31, 2017 and January 1, 2017, none of the awarded and outstanding Treasury RSUs were vested.

The compensation expense included in selling, general and administrative expenses for fiscal 2017 was $3.8 million (2016 - $3.7 million) in respect of the stock options and $0.9 million (2016 - $0.8 million) in respect of Treasury RSUs, 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:

	Number	Weighted average fair value per unit
Non-Treasury RSUs outstanding, January 3, 2016	953	$ 28.42
Changes in outstanding non-Treasury RSUs:		
Granted	431	25.40
Granted for performance	113	28.42
Granted for dividends declared	10	28.99
Settled - common shares	(248)	28.42
Settled - payment of withholding taxes	(178)	28.42
Forfeited	(34)	28.42
Non-Treasury RSUs outstanding, January 1, 2017	1,047	27.18
Changes in outstanding non-Treasury RSUs:		
Granted	**471**	**29.38**
Granted for performance	**88**	**28.42**
Granted for dividends declared	**13**	**29.86**
Settled - common shares	**(215)**	**28.34**
Settled - payment of withholding taxes	**(142)**	**28.42**
Forfeited	**(62)**	**27.66**
Non-Treasury RSUs outstanding, December 31, 2017	**1,200**	**$ 27.79**

15. SHARE-BASED COMPENSATION (continued):

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

Non-Treasury RSUs have the same features as Treasury RSUs, except that their vesting period is a maximum of three years and they can be settled in cash based on the Company's share price on the vesting date, or through the delivery of common shares purchased on the open market, at the Company's option. Non-Treasury RSUs are settled in common shares purchased on the open market, and to the extent that the Company has an obligation under tax laws to withhold an amount for an employee's tax obligation associated with the share-based payment the Company settles non-Treasury RSUs on a net basis. Beginning in fiscal 2010, 100% of non-Treasury RSUs awarded to executive officers have vesting conditions that are dependent upon the financial performance of the Company relative to a benchmark group of Canadian publicly listed companies. In addition, up to two times the actual number of non-Treasury RSUs awarded to executive officers can vest if exceptional financial performance is achieved. As at December 31, 2017 and January 1, 2017, none of the outstanding non-Treasury RSUs were vested.

The compensation expense included in selling, general and administrative expenses, in respect of the non-Treasury RSUs, for fiscal 2017 was $11.2 million (2016 - $11.1 million), and the counterpart has been recorded as contributed surplus. When the underlying common shares are delivered to employees for settlement upon vesting, the amounts previously credited to contributed surplus are transferred to share capital.

(c) Deferred share unit plan:

The Company has a deferred share unit plan for independent members of the Company's Board of Directors who must receive at least 50% of their annual board retainers in the form of deferred share units ("DSUs"). The value of these DSUs is based on the Company's share price at the time of payment of the retainers or fees. DSUs granted under the plan will be redeemable and the value thereof payable in cash only after the director ceases to act as a director of the Company. As at December 31, 2017, there were 292,873 (January 1, 2017 - 255,472) DSUs outstanding at a value of $9.5 million (January 1, 2017 - $6.5 million). This amount is included in accounts payable and accrued liabilities based on a fair value per deferred share unit of $32.30 (January 1, 2017 - $25.37). 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 2017 was $1.1 million (2016 - $0.7 million).

Changes in outstanding DSUs were as follows:

	2017	2016
DSUs outstanding, beginning of fiscal year	**255**	226
Granted	**35**	36
Granted for dividends declared	**3**	2
Forfeited	**—**	(9)
DSUs outstanding, end of fiscal year	**293**	255

16. SUPPLEMENTARY INFORMATION RELATING TO THE NATURE OF EXPENSES:

(a) Selling, general and administrative expenses:

		2017		2016
Selling expenses	**$**	**118,560**	$	113,340
Administrative expenses		**141,325**		121,702
Distribution expenses		**117,438**		101,391
	$	**377,323**	$	336,433

(b) Employee benefit expenses:

		2017		2016
Salaries, wages and other short-term employee benefits	**$**	**504,366**	$	459,041
Share-based payments		**16,065**		15,756
Post-employment benefits		**30,376**		25,089
	$	**550,807**	$	499,886

(c) Lease expenses:

During the year ended December 31, 2017 an amount of $35.7 million was recognized in the consolidated statement of earnings and comprehensive income relating to operating leases (2016 - $26.6 million).

As at December 31, 2017, the future minimum lease payments under non-cancellable leases were as follows:

		December 31, 2017
Within 1 year	**$**	**22,862**
Between 1 and 5 years		**50,205**
More than 5 years		**46,703**
	$	**119,770**

(d) Government assistance:

During the year ended December 31, 2017 an amount of $10.2 million was recognized in the consolidated statement of earnings and comprehensive income relating to government assistance for yarn production (2016 - $9.3 million).

17. RESTRUCTURING AND ACQUISITION-RELATED COSTS:

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

		2017		2016
Employee termination and benefit costs	**$**	**3,958**	$	5,006
Exit, relocation and other costs		**13,805**		7,898
Loss on disposal of property, plant and equipment related to exit activities		**930**		1,119
Loss on disposal or transfer of assets held for sale		**—**		597
Remeasurement of contingent consideration in connection with a business acquisition		**—**		(6,176)
Acquisition-related transaction costs		**4,201**		3,302
	$	**22,894**	$	11,746

Restructuring and acquisition-related costs in fiscal 2017 related primarily to the following: the American Apparel business acquisition, including transaction costs and integration costs relating to the relocation of acquired assets and the re-launching of this brand's direct-to-consumer e-commerce site; the consolidation of the Company's West Coast distribution centres for Printwear brands pursuant to the acquisitions of American Apparel and Alstyle; the Company's internal organizational realignment of its Branded Apparel business unit, including severance costs, legal fees, and other professional fees; the rationalization of the Company's remaining retail store outlets, including lease exit costs, severance costs, and the write-off of leasehold improvement assets; transaction costs relating to other business acquisitions completed or evaluated during fiscal 2017; and the completion of the integration of prior years' business acquisitions, primarily for the integration of Alstyle and Peds.

Restructuring and acquisition-related costs in fiscal 2016 related primarily to costs incurred in connection with the integration of acquired businesses, including the Alstyle and Peds acquisitions, the completion of the integration of other businesses acquired in previous years, involving consolidation of customer service, distribution, and administrative functions, and costs incurred in connection with the rationalization of our retail store outlets as part of our overall direct-to-consumer channel strategy. Restructuring and acquisition-related costs also included transaction costs related to the acquisitions of Alstyle and Peds. Restructuring and acquisition-related costs were partially offset by a gain on the re-measurement of the fair value of contingent consideration in connection with the Doris acquisition.

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:

		2017		2016
Earnings before income taxes	$	376,816	$	351,838
Applicable tax rate		26.8%		26.8%
Income taxes at applicable statutory rate		101,100		94,398
(Decrease) increase in income taxes resulting from:				
Effect of different tax rates on earnings of foreign subsidiaries		(89,722)		(83,208)
Income tax recovery and other adjustments related to prior taxation years		(1,676)		(4,822)
Effect of reduction in tax rate		(1,633)		—
Effect of revaluation of deferred taxes on intangible assets		(62,228)		—
Non-recognition of tax benefits related to tax losses and temporary differences		62,488		1,545
Effect of non-deductible expenses and other		6,153		(2,713)
Total income tax expense	$	14,482	$	5,200
Average effective tax rate		3.8%		1.5%

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

The details of income tax expense are as follows:

		2017		2016
Current income taxes, includes a recovery of $1,368 (2016 - recovery of $2,725) relating to prior taxation years	$	9,587	$	8,356
Deferred income taxes:				
Reduction in tax rate		(1,633)		—
Revaluation of deferred taxes on intangible assets		(62,228)		—
Origination and reversal of temporary differences		6,576		(1,059)
Non-recognition of tax benefits related to tax losses and temporary differences		62,488		—
Recognition of tax benefits relating to prior taxation years		(308)		(2,097)
		4,895		(3,156)
Total income tax expense	$	14,482	$	5,200

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (U.S. Tax Reform). The U.S. Tax Reform reduces the statutory federal corporate income tax rate from 35% to 21% effective January 1, 2018, and makes other changes to U.S. corporate tax laws. During the fourth quarter of fiscal 2017, the Company revalued the net deferred tax liability position in its U.S. subsidiaries, to reflect the change in the statutory federal corporate income tax rate that will take effect in 2018, resulting in an income tax recovery of $1.6 million. In addition, the Company incurred a net deferred tax expense of $3.3 million in fiscal 2017 relating to an internal organizational realignment of its Branded Apparel business unit, consisting of a $56.5 million increase in the non-recognition of deferred income tax assets and a $9.0 million reduction in deferred income tax assets relating to the reversal of temporary differences, less a $62.2 million revaluation of deferred income tax liabilities.

18. INCOME TAXES (continued):

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

	December 31, 2017	January 1, 2017
Deferred tax assets:		
Non-capital losses	**$ 75,433**	$ 76,345
Non-deductible reserves and accruals	**5,712**	49,856
Property, plant and equipment	**9,629**	7,239
Other items	**6,609**	4,946
	97,383	138,386
Unrecognized deferred tax assets	**(67,152)**	(27,529)
Deferred tax assets	**$ 30,231**	$ 110,857
Deferred tax liabilities:		
Property, plant and equipment	**$ (24,239)**	$ (32,703)
Intangible assets	**(9,705)**	(76,654)
Deferred tax liabilities	**$ (33,944)**	$ (109,357)
Deferred income taxes	**$ (3,713)**	$ 1,500

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

	2017	2016
Balance, beginning of fiscal year, net	**$ 1,500**	$ 2,793
Recognized in the statements of earnings:		
Non-capital losses	**31,202**	9,847
Non-deductible reserves and accruals	**(41,052)**	3,004
Property, plant and equipment	**(3,062)**	(11,438)
Intangible assets	**66,888**	498
Other	**1,984**	2,790
Reduction in tax rate	**1,633**	—
Unrecognized deferred tax assets	**(62,488)**	(1,545)
	(4,895)	3,156
Business acquisitions	**—**	(4,542)
Other	**(318)**	93
Balance, end of fiscal year, net	**$ (3,713)**	$ 1,500

As at December 31, 2017, the Company has tax credits, capital and non-capital loss carryforwards, and other deductible temporary differences available to reduce future taxable income for tax purposes representing a tax benefit of approximately $67.2 million, for which no deferred tax asset has been recognized (January 1, 2017 - $27.5 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 2018 and 2037. The recognized deferred tax asset is supported by projections of future profitability of the Company.

The Company has not recognized a deferred income tax liability for the undistributed profits of subsidiaries operating in foreign jurisdictions, as the Company currently has no intention to repatriate these profits. If expectations or intentions change in the future, the Company may be subject to an additional tax liability upon distribution of these earnings in the form of dividends or otherwise. As at December 31, 2017, a deferred income tax liability of approximately $68 million would result from the recognition of the taxable temporary differences of approximately $305 million.

19. EARNINGS PER SHARE:

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

		2017		2016
Net earnings - basic and diluted	**$**	**362,334**	$	346,638
Basic earnings per share:				
Basic weighted average number of common shares outstanding		**224,184**		235,355
Basic earnings per share	**$**	**1.62**	$	1.47
Diluted earnings per share:				
Basic weighted average number of common shares outstanding		**224,184**		235,355
Plus dilutive impact of stock options, Treasury RSUs and common shares held in trust		**351**		693
Diluted weighted average number of common shares outstanding		**224,535**		236,048
Diluted earnings per share	**$**	**1.61**	$	1.47

Excluded from the above calculation for the year ended December 31, 2017 are 1,903,101 stock options (2016 - 1,572,273) and nil Treasury RSUs (2016 - 7,500) which were deemed to be anti-dilutive.

20. DEPRECIATION AND AMORTIZATION:

		2017		2016
Depreciation of property, plant and equipment (note 9)	**$**	**136,233**	$	124,738
Adjustment for the variation of depreciation of property, plant and equipment included in inventories at the beginning and end of the year		**323**		(5,430)
Depreciation of property, plant and equipment included in net earnings		**136,556**		119,308
Amortization of intangible assets, excluding software (note 10)		**20,786**		18,106
Amortization of software (note 10)		**4,808**		3,183
Depreciation and amortization included in net earnings	**$**	**162,150**	$	140,597

21. SUPPLEMENTAL CASH FLOW DISCLOSURE:

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

	2017	2016
Depreciation and amortization (note 20)	**$ 162,150**	$ 140,597
Restructuring charges related to property, plant and equipment (note 17)	**930**	1,716
Gain on remeasurement of contingent consideration in connection with a business acquisition (note 17)	**—**	(6,176)
Loss on disposal of property, plant and equipment and intangible assets	**368**	1,631
Share-based compensation	**15,867**	15,373
Deferred income taxes (note 18)	**4,895**	(3,156)
Unrealized net (gain) loss on foreign exchange and financial derivatives	**(863)**	1,993
Timing differences between settlement of financial derivatives and transfer of deferred gains and losses in accumulated OCI to net earnings	**(10,070)**	10,840
Other non-current assets	**(523)**	(2,202)
Other non-current liabilities	**2,445**	(2,169)
	$ 175,199	$ 158,447

(b) Variations in non-cash transactions:

	2017	2016
Change in classification of non-Treasury RSUs to equity-settled	**$ —**	$ 6,234
Additions to property, plant and equipment and intangible assets included in accounts payable and accrued liabilities	**258**	(8,200)
Proceeds on disposal of property, plant and equipment included in other current assets	**36**	(475)
Assets held for sale transferred to property, plant and equipment	**—**	2,243
Balance due on business acquisition (note 5)	**2,700**	(4,000)
Non-cash ascribed value credited to contributed surplus for dividends attributed to Treasury RSUs	**447**	370
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	**9,623**	8,085

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:

		2017		2016
Short-term employee benefits	**$**	**9,446**	$	7,422
Post-employment benefits		**205**		157
Share-based payments		**10,932**		10,132
	$	**20,583**	$	17,711

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

		December 31, 2017		January 1, 2017
DSUs	**$**	**9,460**	$	6,481

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 December 31, 2017, the maximum potential liability under these guarantees was $50.6 million (January 1, 2017 - $53.8 million), of which $12.5 million was for surety bonds and $38.1 million was for financial guarantees and standby letters of credit (January 1, 2017 - $10.4 million and $43.4 million, respectively).

As at December 31, 2017, the Company has recorded no liability with respect to these guarantees, as the Company does not expect to make any payments for the aforementioned items.

24. CAPITAL DISCLOSURES:

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions, while maintaining a strong credit profile and taking a conservative approach towards financial risk management.

The Company's capital is composed of net debt and shareholders' equity. Net debt consists of interest-bearing debt less cash and cash equivalents. The Company's use of capital is to finance working capital requirements, capital expenditures, business acquisition, payment of dividends, as well as share repurchases. The Company currently funds these requirements out of its internally-generated cash flows and with funds drawn from its long-term debt facilities.

The primary measure used by the Company to monitor its financial leverage is its net debt leverage ratio. The Company's net debt leverage ratio is defined as the ratio of net debt to earnings before financial expenses/income, taxes, depreciation and amortization, and restructuring and acquisition-related costs ("adjusted EBITDA") for the trailing twelve months, on a pro-forma basis to reflect business acquisitions made during the trailing twelve month period, as if they had occurred at the beginning of the trailing twelve month period. The Company has set a target net debt leverage ratio of one to two times adjusted EBITDA. As at December 31, 2017, the Company's net debt leverage ratio was 1.0 times.

In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances.

The Board of Directors will consider several factors when deciding to declare quarterly cash dividends, including the Company's present and future earnings, cash flows, capital requirements and present and/or future regulatory and legal restrictions. There can be no assurance as to the declaration of future quarterly cash dividends. Although the Company's revolving facilities, term loan facility, and notes require compliance with lending covenants in order to pay dividends, these covenants have not been and are not currently, a constraint to the payment of dividends under the Company's dividend policy.

The Company paid dividends of $84.8 million during the year ended December 31, 2017, representing dividends declared per common share of $0.374. On February 21, 2018, the Board of Directors approved a 20% increase in the amount of the current quarterly dividend and declared a cash dividend of $0.112 per share for an expected aggregate payment of $24.6 million which will be paid on April 2, 2018 on all of the issued and outstanding common shares of the Company, rateably and proportionately to the holders of record on March 8, 2018. This dividend is an "eligible dividend" for the purposes of the Income Tax Act (Canada) and any other applicable provincial legislation pertaining to eligible dividends.

The Company is not subject to any capital requirements imposed by a regulator.

25. SEGMENT INFORMATION:

For the years ended December 31, 2017 and January 1, 2017, the Company managed and reported its business under two operating segments, Printwear and Branded Apparel, each of which was a reportable segment for financial reporting purposes with its own management that was accountable and responsible for the segment's operations, results, and financial performance. These segments were principally organized by the major customer markets they served.

The Printwear segment serviced wholesale distributors/screenprinters in imprintables markets in over 60 countries across North America, Europe, Asia-Pacific, and Latin America by distributing undecorated activewear products in large quantities primarily to this customer base. The Branded Apparel segment marketed branded family apparel, including socks, underwear, activewear, sheer hosiery and shapewear products to retailers and consumers in the United States and Canada.

The chief operating decision-maker assessed segment performance based on segment operating income which was 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.

	2017	2016
Segmented net sales:		
Printwear	**$ 1,821,995**	$ 1,651,079
Branded Apparel	**928,821**	933,991
Total net sales	**$ 2,750,816**	$ 2,585,070
Segment operating income:		
Printwear	**$ 438,307**	$ 388,052
Branded Apparel	**86,570**	85,445
Total segment operating income	**$ 524,877**	$ 473,497
Reconciliation to consolidated earnings before income taxes:		
Total segment operating income	**$ 524,877**	$ 473,497
Amortization of intangible assets, excluding software	**(20,786)**	(18,106)
Corporate expenses	**(80,195)**	(72,121)
Restructuring and acquisition-related costs	**(22,894)**	(11,746)
Financial expenses, net	**(24,186)**	(19,686)
Earnings before income taxes	**$ 376,816**	$ 351,838
Additions to property, plant and equipment, intangible assets, and goodwill (including additions from business acquisitions and transfers):		
Printwear	**$ 147,737**	$ 148,205
Branded Apparel	**17,811**	80,855
Corporate	**7,401**	4,357
Assets not yet utilized in operations, net of transfers	**21,464**	(24,131)
	$ 194,413	$ 209,286
Depreciation of property, plant and equipment:		
Printwear	**$ 93,353**	$ 77,436
Branded Apparel	**35,674**	38,924
Corporate	**7,529**	2,948
	$ 136,556	$ 119,308

25. SEGMENT INFORMATION (continued):

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

	December 31, 2017	January 1, 2017
Segmented assets:(1)		
Printwear	**$ 1,726,945**	$ 1,640,739
Branded Apparel	**1,065,474**	1,177,843
Total segmented assets	**2,792,419**	2,818,582
Unallocated assets:		
Cash and cash equivalents	**52,795**	38,197
Income taxes receivable	**3,891**	—
Deferred income taxes	**—**	1,500
Assets not yet utilized in operations	**82,467**	60,552
Other - primarily corporate assets	**49,133**	71,313
Consolidated assets	**$ 2,980,705**	$ 2,990,144

(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:

	December 31, 2017	January 1, 2017
United States	**$ 487,228**	$ 841,694
Canada	**141,820**	151,508
Honduras	**386,348**	400,438
Caribbean Basin	**559,422**	159,419
Other	**89,176**	80,153
	$ 1,663,994	$ 1,633,212

Net sales by major product group were as follows:

	2017	2016
Activewear and underwear	**$ 2,169,709**	$ 1,993,012
Socks and hosiery	**581,107**	592,058
	$ 2,750,816	$ 2,585,070

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

	2017	2016
United States	**$ 2,382,800**	$ 2,253,910
Canada	**131,025**	118,955
Europe and other	**236,991**	212,205
	$ 2,750,816	$ 2,585,070

25. SEGMENT INFORMATION (continued):

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

	2017	2016
Customer A	**16.5%**	18.2%
Customer B	**11.9%**	12.4%

BOARD OF DIRECTORS

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

Donald C. Berg
Chair of the Compensation
& Human Resources Committee
Director since 2015

Glenn J. Chamandy
President & Chief Executive Officer
Director since 1984

Shirley E. Cunningham
Director since 2017

Russell Goodman
Chair of the Audit & Finance Committee
Director since 2010

George Heller
Director since 2009

Anne Martin-Vachon
Director since 2015

Sheila O'Brien
Director since 2005

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

EXECUTIVES

Glenn J. Chamandy
President & Chief Executive Officer

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

Michael R. Hoffman
President, Sales, Marketing & Distribution

Benito A. Masi
President, Manufacturing

Investor Relations

Sophie Argiriou
Vice-President, Investor Communications

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Auditors

KPMG LLP

Annual Meeting of Shareholders

Thursday, May 3rd 2018
at 10:00 AM E.T.
Windsor Ballroom
1170 Peel Street
Montreal, QC H3B 4P2 CANADA

Stock Information

Toronto Stock Exchange
New York Stock Exchange
Symbol: **GIL**

Stock transfer agent + registrar

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