



*For Immediate Release*

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**Gildan Announces Resolution of Canada Revenue Agency Audit**

- One-Time Charge for Fiscal 1999 Restructuring -
- No Other Adjustments to Reported Income Taxes for Fiscal Years 2000-2003 -
- No Change to Transfer Pricing Methodology or Income Tax Provision for Subsequent Years -

**Montréal, Thursday, December 11, 2008** – Gildan Activewear Inc. (GIL; TSX and NYSE) today announced that it had reached a final agreement with the Canada Revenue Agency (“CRA”) with respect to the audit of the Company’s tax filings for its 2000-2003 fiscal years. Except for a one-time charge as described below, no significant income tax adjustments to previously reported income tax rates or after-tax income for the 2000-2003 fiscal years have resulted from the CRA audit. Based on the results of the audit, and the outcome of its discussions with the CRA regarding Gildan’s transfer pricing methodology and other audit matters, the Company continues to be comfortable with its income tax provisions for fiscal years subsequent to the period covered by the audit. The Company has a low consolidated tax rate because the majority of its profits are earned and taxed in Central America and the Caribbean Basin, where its sales, marketing and manufacturing functions are managed and performed.

Gildan has agreed to a one-time tax assessment in respect of the restructuring of its international wholesale business and the related transfer of assets to its Barbados subsidiary in fiscal 1999. The assessment has resulted in a charge in the fourth quarter of fiscal 2008, amounting to approximately U.S. \$27 million or U.S. \$0.22 per share, including a provision for provincial taxes. The Company accepted the one-time assessment in order to avoid a lengthy negotiation process with the tax authorities, which could have resulted in prolonged uncertainty with regard to Gildan’s overall effective income tax rate. The Company will also make an additional cash payment of approximately U.S. \$17 million of income tax liabilities which had previously been recorded and reserved in prior years and reflected in the Company’s income tax rate as reported for these years. The cash payment of the Company’s total income tax liabilities does not constrain the Company’s liquidity or financing flexibility to pursue its organic growth strategy and consider selective acquisitions.

## Profile

Gildan is a vertically-integrated marketer and manufacturer of quality branded basic apparel. The Company is the leading supplier of activewear for the screenprint channel in the U.S. and Canada. It is also a leading supplier to this market in Europe, and is establishing a growing presence in Mexico and the Asia-Pacific region. The Company sells T-shirts, sport shirts and fleece in large quantities to wholesale distributors as undecorated “blanks”, which are subsequently decorated by screenprinters with designs and logos. Consumers ultimately purchase the Company’s products, with the Gildan label, in venues such as sports, entertainment and corporate events, and travel and tourism destinations. The Company’s products are also utilized for work uniforms and other end-uses to convey individual, group and team identity. The Company is also a leading supplier of private label and Gildan branded socks primarily sold to mass-market retailers. In addition, Gildan has an objective to become a significant supplier of men’s and boys’ underwear and undecorated activewear products to mass-market retailers in North America.

*Certain statements included in this press release may constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities legislation and regulations. Such forward-looking statements involve assumptions and known and unknown risks, uncertainties and other factors, including, but not limited to: general economic conditions such as commodity prices, currency exchange rates, interest rates and other factors over which we have no control; the impact of economic and business conditions, industry trends and other external, political and social factors in the countries in which we operate; the intensity of competitive activity; changes in environmental, tax, trade, employment and other laws and regulations; our ability to implement our strategies and plans; our ability to complete and successfully integrate acquisitions; our reliance on a small number of significant customers; changes in consumer preferences, customer demand for our products and our ability to maintain customer relationships and grow our business; the fact that our customers do not commit to minimum quantity purchases; the seasonality of our business; our ability to attract and retain key personnel; our reliance on computerized information systems; changes in accounting policies and estimates; and disruption to manufacturing and distribution activities due to labour disruptions, bad weather, natural disasters and other unforeseen adverse events which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. You should not place undue reliance on these forward-looking statements, which are made only as of the date of this press release. 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 and Uncertainties” section of the 2007 Annual MD&A, as subsequently updated in our first, second and third quarter 2008 MD&A, for a discussion of the various factors that may affect the Company’s future results.*