GILDAN

PRESS RELEASE

(all amounts are in U.S. dollars except where otherwise indicated)

(1) Please refer to "Definition and reconciliation of non-GAAP financial measures" in this press release

(2) The target boundary includes land-related emissions and removals from bioenergy feedstocks

Gildan Activewear Reports Results for the Second Quarter of 2023 and Updates its Full Year Outlook

- Sales of $840 million
- Operating margin of 21.7%, adjusted operating margin[1] of 16.5%
- GAAP diluted EPS of $0.87 and adjusted diluted EPS[1] of $0.63
- Cash flow from operations of $182 million and free cash flow[1] of $126 million
- Approximately $145 million of capital returned to shareholders during the quarter through dividends and share repurchases
- Company announces renewal of Normal Course Issuer Bid to repurchase up to 5% of issued and outstanding shares
- Company lowers its FY 2023 outlook to reflect the impact of current market conditions

Montreal, Thursday, August 3, 2023 – Gildan Activewear Inc. (GIL: TSX and NYSE) today announced results for the second quarter ended July 2, 2023.

"We are pleased with our top line performance which came in ahead of our expectations for the quarter, up against a strong comparative period" said Glenn J. Chamandy, Gildan's President and CEO. "Further, in a challenging macro environment, we are driving market share gains given our strong competitive position and continued execution on our GSG strategy".

During the second quarter, we generated net sales of $840 million, driven by better-than-expected sales volume in activewear which offset weaker-than-expected product mix in this category. Our operating margin came in at 21.7% and reflected a net insurance gain of $74 million, partly offset by restructuring charges of $30 million. Excluding these items, our adjusted operating margin[1] of 16.5% was slightly above our expectations. Consequently, we ended the quarter with GAAP diluted EPS of $0.87 and adjusted diluted EPS[1] of $0.63. In line with our capital allocation priorities and our commitment to return capital to shareholders, we continued to be active on our share buyback program during the quarter, repurchasing approximately 2.6 million shares at a cost of $78 million. With our current program now approaching expiry in August, our Board of Directors approved the implementation of a renewal of our normal course issuer bid (NCIB) program to repurchase up to 5% of the Company's issued and outstanding common shares over the next twelve months. The Company ended the second quarter of 2023 with net debt[1] of $1,170 million and a leverage ratio[1] of 1.8 times net debt to trailing twelve months adjusted EBITDA[1] within our targeted debt levels.

Q2 2023 Operating Results

Net sales for the second quarter were above our expectations at $840 million but reflected a 6% decline over a record quarter last year. In activewear, we generated sales of $692 million, down 9% compared to the same period last year which had benefited from distributor inventory replenishment, following destocking which occurred during the pandemic and a tight manufacturing environment in 2021. During the second quarter, our year-over-year POS trend for the activewear category was positive driven by performance in North America. International markets were more challenging than we expected, with sales in the quarter down 2% versus the prior year with POS trends softening sequentially. We saw increasing momentum in the hosiery and underwear category in the quarter with sales totaling $149 million, up 8% year-over-year. This increase was mainly driven by underwear sales volume growth, reflecting the expansion of our private label offering and the roll-out of new programs in the mass retail channel. Further, while industry demand for men's underwear remained down year-over-year, we were pleased to see POS trends improve sequentially.

We generated gross profit of $217 million, or 25.8% of sales in the second quarter, down $48 million over the prior year, primarily driven by higher year-over-year fiber costs, as expected, as well as unfavorable product mix, which together more than offset the year-over-year benefit of higher net selling prices during the quarter.

SG&A expenses of $78 million, or 9.3% of sales, were down $11 million, or 13%, compared to last year due to lower variable compensation expenses and our continued cost containment efforts, which more than offset the impact of cost inflation. This represents a year-over-year improvement of 70 basis points despite the impact of sales deleverage.

For the second quarter operating income of $183 million, or 21.7% of sales, included a net insurance gain of $74 million related to the two hurricanes which impacted the Company's operations in Central America in 2020, partly offset by restructuring charges of $30 million which included the closure of a sewing facility in Honduras. This compared to operating income of $174 million, or 19.4% of sales, in the prior year. Excluding these items, our adjusted operating income[1] of $139 million, or 16.5% of sales, which came in slightly better than expected, was down $37 million, or 310 basis points, compared to the prior year, reflecting lower sales and lower adjusted gross margin[1], partly offset by lower SG&A expenses.

After reflecting net financial expenses of $21 million, up $13 million over the prior year due to higher interest rates and average net borrowing levels, and the positive benefit of a lower outstanding share base, we reported GAAP diluted EPS and adjusted diluted EPS for the quarter of $0.87, and $0.63, respectively, up from $0.85 and down from $0.86, in the prior year. GAAP net earnings for the quarter included the after-tax impact of the net insurance gain and restructuring charges as described above.

Cash flows from operating activities in the second quarter totaled $182 million which includes the net positive effect from the insurance gain mentioned above. This compares to $210 million in the prior year, mainly due to higher working capital requirements and lower net earnings. After accounting for capital expenditures totaling $56 million, we generated $126 million of free cash flow in the second quarter, compared to $159 million in the second quarter of 2022, mainly due to lower operating earnings. Capital expenditures during the quarter included investments in our new manufacturing complex in Bangladesh. At the end of the second quarter of 2023, net debt stood at $1,170 million with a leverage ratio of 1.8 times net debt to trailing twelve months adjusted EBITDA within targeted debt levels.

Year-to-date Operating Results

Net sales for the first half ended July 2, 2023 were $1,543 million, down 8% over the prior year sales. In activewear, we generated sales of $1,280 million, down $146 million or 10% compared to the same period last year which benefited from distributor inventory replenishment following the pandemic and a tight manufacturing environment in 2021. Year-over-year POS trends for the activewear category showed progressive improvement from the first to the second quarter. While our activewear sales volume was better than expected in the first half, we saw the macro environment impact our activewear product mix unfavorably as we moved through the first half. International sales of $118 million were down 10% versus the prior year period. In the hosiery and underwear category, we observed notable strength with sales totaling $264 million, up $18 million over the prior year, or 7%, driven by both underwear and sock volume growth. We are benefiting from the expansion and the roll-out of mass retail programs for these products, following a period of inventory adjustments at retailers.

We generated gross profit of $404 million in the first half, down $101 million over the prior year, driven by the decline in sales and lower gross margins. Gross margin of 26.2% was down by 410 basis points year-over year. This is mainly a result of the flow-through impact on our cost of sales of peak fiber costs and higher manufacturing input costs, both of which were anticipated, in addition to unfavourable product mix. These factors were partly offset by higher net selling prices.

SG&A expenses for the first half of 2023 of $160 million were $11 million below prior year levels and SG&A expenses as a percentage of net sales were 10.4% compared to 10.2% last year, primarily due to sales deleverage partly offset by the benefit of lower expenses including lower variable compensation.

We generated operating income of $311 million, or 20.1% of sales, which included the benefit of a $77 million net insurance gain and a $25 million gain from the sale and leaseback of one of our U.S. distribution facilities, partly offset by higher restructuring costs of $33 million, compared to operating income of $336 million, or 20.1% of sales in the first half of last year. Excluding these items, adjusted operating income was $241 million, or 15.6% of sales, down $93 million, or 440 basis points over the prior year, mainly reflecting lower sales and gross margin pressure in the first half as noted above.

After reflecting increased net financial expenses of $38 million due to higher interest rates and average net borrowing levels, higher GAAP income taxes tied to the adjustments above, and the positive benefit of a lower outstanding share base, we reported GAAP diluted EPS and adjusted diluted EPS for the first half of $1.41 and $1.08 respectively, both down from GAAP diluted EPS and adjusted diluted EPS of $1.62, in the prior year. GAAP net earnings included the after-tax impact of the net gains and restructuring charges described above.

Outlook

We believe that our vertically integrated model, our competitive cost structure, leadership in pricing, product availability, and strength in sustainability are enabling us to grow our market share in key product categories and outperform our peers. Further, with strong comparative periods now behind us, we continue to expect our revenues to grow in the second half of the year supported by the planned roll-out of incremental retail programs. That being said, and despite continued market share gains, we are seeing current market conditions unfavourably impact activewear product mix, both in North American and International markets, as customers focus on lower-priced products. Combined with near-term uncertainty related to the macro-environment, we believe it is prudent to temper our previous FY 2023 expectations for revenue growth and operating margins.

Accordingly, for FY 2023, we are updating our outlook as follows:

- Revenues for the full year flat to down low single digits, compared to our previous expectations of a low single digit year-over-year increase;
- Full year adjusted operating margin slightly below the low end of our current 18% to 20% annual target range;
- Adjusted diluted EPS in the range of $2.55 to $2.65, including the impact of assumed share repurchases of 5% of the outstanding public float in 2023. Our previous guidance called for EPS to be in line with record FY 2022 adjusted diluted EPS of $3.11;
- Capex maintained at the lower end of our 6% to 8% target range;
- Strong full year free cash flow generation above $425 million.

The above outlook assumes no meaningful deterioration from current market conditions including the pricing and inflationary environment, and reflects the assumptions noted above. Further, it reflects our expectations as of August 3, 2023 and is subject to significant risks and business uncertainties, including those factors described under "Forward-Looking Statements" in this press release and in our annual MD&A for the year ended January 1, 2023. The board may modify, extend or terminate current or future share repurchase programs at any time.

ESG

"On June 28, 2023, we were pleased to be recognized again as one of Canada's best 50 corporate citizens by Corporate Knights," said Glenn J. Chamandy, Gildan President and CEO. "Reinforcing our continued leadership in ESG, which is an integral part of our GSG strategy, this distinction highlights once again our Company's strong focus and efforts to support and drive towards a more fair and sustainable future."

During the quarter, we achieved another significant milestone in the advancement of our Next Generation ESG strategy when the Science Based Targets initiative (SBTi) validated Gildan's 2030 near-term emissions targets for Scopes 1, 2 and 3. Gildan has committed to reducing absolute Scope 1 and 2 greenhouse gas emissions by 30% by 2030 from a 2018 base year[2] Gildan has also committed to reducing its absolute Scope 3 emissions by 13.5% by 2030 from a 2019 base year.

Declaration of Quarterly Dividend

The Board of Directors has declared a cash dividend of $0.186 per share, payable on September 18, 2023 to shareholders of record as of August 24, 2023. 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.

Renewal of Normal Course Issuer Bid

Gildan received approval from the Toronto Stock Exchange (TSX) to renew its NCIB commencing on August 9, 2023, to purchase for cancellation up to 8,778,638 common shares, representing approximately 5% of Gildan's issued and outstanding common shares. As of July 31, 2023, Gildan had 175,572,760 common shares issued and outstanding.

Gildan is authorized to make purchases under the NCIB until August 8, 2024, in accordance with the requirements of the TSX. Purchases will be made by means of open market transactions on both the TSX and the New York Stock Exchange (NYSE), or alternative Canadian trading systems, if eligible, or by such other means as may be permitted by securities regulatory authorities, including pre-arranged crosses, exempt offers, private agreements under an issuer bid exemption order issued by securities regulatory authorities and block purchases of common shares. The average daily trading volume of common shares on the TSX (ADTV) for the six-month period ended July 31, 2023, was 370,447. Consequently, and in accordance with the requirements of the TSX, Gildan may purchase, in addition to purchases made on other exchanges including the NYSE, up to a maximum of 92,611 common shares daily through the facilities of the TSX, which represents 25% of the ADTV 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. The actual number of common shares purchased under the NCIB and the timing of such purchases will be at Gildan's discretion and shall be subject to the limitations set out in the TSX Company Manual.

Under its current NCIB that commenced on August 9, 2022, and will end on August 8, 2023, Gildan is authorized to repurchase for cancellation up to 9,132,337 common shares, representing approximately 5% of Gildan's issued and outstanding common shares as at July 31, 2022. Of this amount, Gildan purchased a total of 7,492,700 common shares at a weighted average price of $31.00. Common shares were purchased through the facilities of the TSX and the NYSE, and through alternative Canadian trading systems.

Gildan will enter into an automatic securities purchase plan (ASPP) with a designated broker in relation to the NCIB on or about the commencement date of the NCIB. The ASPP will allow for the purchase of common shares under the NCIB, subject to certain trading parameters, at times when Gildan ordinarily would not be permitted to purchase its common shares due to applicable regulatory restrictions or self-imposed trading black-out periods. Outside of the predetermined black-out periods, common shares may be purchased under the NCIB based on the discretion of the Company's management, in compliance with TSX rules and applicable securities laws.

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.

Disclosure of Outstanding Share Data

As at July 28, 2023, there were 175,692,760 common shares issued and outstanding along with 2,516,773 stock options and 76,799 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 predetermined exercise 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.

Conference Call Information

Gildan Activewear Inc. will hold a conference call to discuss the Company's second quarter 2023 results today at 8:30 AM ET. A live audio webcast of the conference call, as well as a replay, will be accessible on the investors section of Gildan's corporate website at the following link: https://gildancorp.com/en/investors/events-and-presentations/. The conference call may be accessed by dialing (800) 715-9871 (Canada & U.S.) or (646) 307-1963 (international) and entering passcode 9038229#. A replay of the conference call will be available for 7 days starting at 1:00 PM ET, by dialing (800) 770-2030 (Canada & U.S.) or (609) 800-9909 (international) and entering the same passcode.

This release should be read in conjunction with Gildan's Management's Discussion and Analysis and its unaudited condensed interim consolidated financial statements as at and for the three and six months ended July 2, 2023, which will be filed by Gildan with the Canadian securities regulatory authorities and with the U.S. Securities and Exchange Commission and which will be available on Gildan's corporate website.

Certain minor rounding variances may exist between the condensed consolidated financial statements and the table summaries contained in this press release.

Supplemental Financial Data

CONSOLIDATED FINANCIAL DATA (UNAUDITED)

(in $ millions, except per share amounts or otherwise indicated)	**Q2 2023**	Q2 2022	Variation (%)	**YTD 2023**	YTD 2022	Variation (%)
Net sales	**840.4**	895.6	(6.2)%	**1,543.3**	1,670.5	(7.6)%
Gross profit	**216.6**	265.0	(18.3)%	**404.3**	505.4	(20.0)%
Adjusted gross profit(1)	**216.8**	265.0	(18.2)%	**401.2**	504.1	(20.4)%
SG&A expenses(5)	**78.1**	89.4	(12.6)%	**159.9**	170.4	(6.2)%
Gain on sale and leaseback	**—**	—	n.m.	**(25.0)**	—	n.m.
Net insurance gains	**(74.2)**	—	n.m.	**(74.2)**	—	n.m.
Restructuring and acquisition-related costs (recovery)	**30.0**	1.6	n.m.	**32.8**	(1.2)	n.m.
Operating income	**182.7**	174.0	5.0 %	**310.7**	336.2	(7.6)%
Adjusted operating income(1)	**138.7**	175.6	(21.0)%	**241.2**	333.7	(27.7)%
Adjusted EBITDA(1)	**170.3**	207.9	(18.1)%	**300.7**	399.4	(24.7)%
Financial expenses	**20.7**	7.4	179.7 %	**37.7**	14.4	161.8 %
Income tax expense	**6.7**	8.4	(20.2)%	**20.1**	17.2	16.9 %
Net earnings	**155.3**	158.2	(1.8)%	**252.9**	304.6	(17.0)%
Adjusted net earnings(1)	**112.3**	159.8	(29.7)%	**193.9**	304.1	(36.2)%
Basic EPS	**0.87**	0.85	2.4 %	**1.42**	1.63	(12.9)%
Diluted EPS	**0.87**	0.85	2.4 %	**1.41**	1.62	(13.0)%
Adjusted diluted EPS(1)	**0.63**	0.86	(26.7)%	**1.08**	1.62	(33.3)%
Gross margin(2)	**25.8 %**	29.6 %	(3.8) pp	**26.2 %**	30.3 %	(4.1) pp
Adjusted gross margin(1)	**25.8 %**	29.6 %	(3.8) pp	**26.0 %**	30.2 %	(4.2) pp
SG&A expenses as a percentage of sales(3)	**9.3 %**	10.0 %	(0.7) pp	**10.4 %**	10.2 %	0.2 pp
Operating margin(4)	**21.7 %**	19.4 %	2.3 pp	**20.1 %**	20.1 %	—
Adjusted operating margin(1)	**16.5 %**	19.6 %	(3.1) pp	**15.6 %**	20.0 %	(4.4) pp
Cash flows from (used in) operating activities	**181.8**	209.7	(13.3)%	**2.4**	158.3	(98.5)%
Capital expenditures	**(56.0)**	(55.6)	0.7 %	**(129.9)**	(89.6)	45.0 %
Free cash flow(1)	**126.0**	159.4	(21.0)%	**(76.2)**	74.0	n.m.

As at (in $ millions, or otherwise indicated)	**Jul 2, 2023**	Jan 1, 2023
Inventories	**1,226.7**	1,225.9
Trade accounts receivable	**525.2**	248.8
Net debt(1)	**1,170.0**	873.6
Net debt leverage ratio(1)	**1.8**	1.1

(1) This is a non-GAAP financial measure or ratio. Please refer to "Non-GAAP Financial Measures" in this press release.
(2) Gross margin is defined as gross profit divided by net sales.
(3) SG&A as a percentage of sales is defined as SG&A divided by net sales.
(4) Operating margin is defined as operating income divided by net sales.
(5) The Company recasted comparative figures to conform to the current period's presentation by grouping (Reversal of impairment) impairment of trade accounts receivable in SG&A expenses.
n.m. = not meaningful

DISAGGREGATION OF REVENUE

Net sales by major product group were as follows:

(in $ millions, or otherwise indicated)	**Q2 2023**	Q2 2022	Variation (%)	**YTD 2023**	YTD 2022	Variation (%)
Activewear	**691.7**	757.8	(8.7)%	**1,279.6**	1,425.1	(10.2)%
Hosiery and underwear	**148.7**	137.8	7.9 %	**263.7**	245.4	7.5 %
	840.4	895.6	(6.2)%	**1,543.3**	1,670.5	(7.6)%

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

(in $ millions, or otherwise indicated)	**Q2 2023**	Q2 2022	Variation (%)	**YTD 2023**	YTD 2022	Variation (%)
United States	**745.9**	796.1	(6.3)%	**1,371.0**	1,477.9	(7.2)%
Canada	**28.1**	31.4	(10.5)%	**53.8**	61.6	(12.7)%
International	**66.4**	68.1	(2.4)%	**118.5**	131.0	(9.5)%
	840.4	895.6	(6.2)%	**1,543.3**	1,670.5	(7.6)%

Non-GAAP financial measures and related ratios
This press release includes references to certain non-GAAP financial measures, as well as non-GAAP ratios as described below. These non-GAAP measures do not have any standardized meanings prescribed by International Financial Reporting Standards (IFRS) and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The terms and definitions of the non-GAAP measures used in this press release and a reconciliation of each non-GAAP measure to the most directly comparable IFRS measure are provided below.

Certain adjustments to non-GAAP measures
As noted above certain of our non-GAAP financial measures and ratios exclude the variation caused by certain adjustments that affect the comparability of the Company's financial results and could potentially distort the analysis of trends in its business performance. Adjustments which impact more than one non-GAAP financial measure and ratio are explained below:

Restructuring and acquisition-related costs (recovery)
Restructuring and acquisition-related costs are comprised of costs directly related to significant exit activities, including the closure and sale 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 is included as an adjustment in arriving at adjusted operating income, adjusted operating margin, adjusted net earnings, adjusted diluted EPS, and adjusted EBITDA. For the three and six months ended July 2, 2023 restructuring and acquisition-related costs of $30.0 million and $32.8 million (2022 - $1.6 million and $1.2 million (recovery)), respectively, were recognized. Refer to subsection 5.4.6 entitled “Restructuring and acquisition-related costs (recovery)” in our interim MD&A for a detailed discussion of these costs and recoveries.

Impact of strategic product line initiatives
In the fourth quarter of fiscal 2019, the Company launched a strategic initiative to significantly reduce its imprintables product line SKU count. In the fourth quarter of fiscal 2020 the Company expanded this strategic initiative to include a significant reduction in its retail product line SKU count. The objectives of this strategic initiative included exiting all ship to-the-piece activities, discontinuing overlapping and less productive styles and SKUs between brands, simplifying the Company's product portfolio and reducing complexity in its manufacturing and warehouse distribution activities. The impact of this initiative included inventory write-downs to reduce the carrying value of discontinued SKUs to liquidation values, sales return allowances for product returns related to discontinued SKUs, and the write-down of production equipment relating to discontinued SKUs. The impact of strategic product line initiatives is included as an adjustment in arriving at adjusted gross profit and adjusted gross margin, adjusted operating income, adjusted operating margin, adjusted net earnings, adjusted diluted EPS, and adjusted EBITDA.

The gains related to this initiative were as follows:

- For the three and six months ended July 2, 2023, recoveries were nil.
- For the three and six months ended July 3, 2022, nil and $1 million of recoveries were included in cost of sales.

Net insurance gains

For the three and six months ended July 2, 2023, net insurance gains were $74.0 million and $77.3 million (2022 - nil and $0.3 million), respectively, related to the two hurricanes which impacted the Company's operations in Central America in November 2020. Net insurance gains relate to the recognition of insurance recoveries for business interruption losses and insurance recoveries for damaged equipment. Insurance gains relating to recoveries for business interruption losses for the three and six months ended July 2, 2023 were $74.2 million (2022 - nil) are recorded in insurance gains, and included as an adjustment in arriving at adjusted operating income, adjusted operating margin, adjusted net earnings, adjusted diluted EPS, and adjusted EBITDA. Net insurance gains and losses relating to recoveries for damaged equipment for the three and six months ended July 2, 2023, were $0.2 million (loss) and $3.1 million (gain), respectively (2022 - nil and $0.3 million (gain)), are recorded in cost of sales and included as an adjustment in arriving at adjusted gross profit and adjusted gross margin, adjusted operating income, adjusted operating margin, adjusted net earnings, adjusted diluted EPS, and adjusted EBITDA.

Gain on sale and leaseback

During the first quarter of 2023, the Company recognized a gain of $25.0 million ($15.5 million after reflecting $9.5 million of income tax expense) on the sale and leaseback of one of our distribution centres located in the U.S. The impact of this gain is included as an adjustment in arriving at adjusted operating income, adjusted operating margin, adjusted net earnings, adjusted diluted EPS, and adjusted EBITDA.

<u>Adjusted net earnings and adjusted diluted EPS</u>

Adjusted net earnings are calculated as net earnings before restructuring and acquisition-related costs, impairment of goodwill and intangible assets (and reversal of impairments on intangible assets), the impact of the Company's strategic product line initiatives, net insurance gains, gain on sale and leaseback, and income tax expense or recovery relating to these items. Adjusted net earnings also excludes income taxes related to the re-assessment of the probability of realization of previously recognized or de-recognized deferred income tax assets, and income taxes relating to the revaluation of deferred income tax assets and liabilities as a result of statutory income tax rate changes in the countries in which we operate. 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 net earnings performance from one period to the next, and in making decisions regarding the ongoing operations of its business, without the variation caused by the impacts of the items described above. The Company excludes these items because they affect the comparability of its net earnings and diluted EPS and could potentially distort the analysis of net earnings trends in its business performance. The Company believes adjusted net earnings and adjusted diluted EPS are useful to investors because they help identify underlying trends in our business that could otherwise be masked by certain expenses, write-offs, charges, income or recoveries that can vary from period to period. Excluding these items does not imply they are non-recurring. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

(in $ millions, except per share amounts)	**Q2 2023**	Q2 2022	**YTD 2023**	YTD 2022
Net earnings	**155.3**	158.2	**252.9**	304.6
Adjustments for:				
Restructuring and acquisition-related costs (recovery)	**30.0**	1.6	**32.8**	(1.2)
Impact of strategic product line initiatives	**—**	—	**—**	(1.0)
Net insurance gains	**(74.0)**	—	**(77.3)**	(0.3)
Gain on sale and leaseback	**—**	—	**(25.0)**	—
Income tax expense relating to the above-noted adjustments	**1.0**	—	**10.5**	2.0
Adjusted net earnings	**112.3**	159.8	**193.9**	304.1
Basic EPS	**0.87**	0.85	**1.42**	1.63
Diluted EPS	**0.87**	0.85	**1.41**	1.62
Adjusted diluted EPS(1)	**0.63**	0.86	**1.08**	1.62

(1) This is a non-GAAP ratio. It is calculated as adjusted net earnings divided by the diluted weighted average number of common shares outstanding.

Adjusted gross profit and adjusted gross margin

Adjusted gross profit is calculated as gross profit excluding the impact of the Company's strategic product line initiatives, and net insurance gains. The Company uses adjusted gross profit and adjusted gross margin to measure its performance at the gross margin level 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. The Company believes adjusted gross profit and adjusted gross margin are useful to management and investors because they help identify underlying trends in our business in how efficiently the Company uses labor and materials for manufacturing goods to our customers, that could otherwise be masked by the impact of our strategic product line initiatives and net insurance gains that can vary from period to period. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

(in $ millions, or otherwise indicated)	**Q2 2023**	Q2 2022	**YTD 2023**	YTD 2022
Gross profit	**216.6**	265.0	**404.3**	505.4
Adjustments for:				
Impact of strategic product line initiatives	**—**	—	**—**	(1.0)
Net insurance losses (gains)	**0.2**	—	**(3.1)**	(0.3)
Adjusted gross profit	**216.8**	265.0	**401.2**	504.1
Gross margin	**25.8 %**	29.6 %	**26.2 %**	30.3 %
Adjusted gross margin(1)	**25.8 %**	29.6 %	**26.0 %**	30.2 %

(1) This is a non-GAAP ratio. It is calculated as adjusted gross profit divided by net sales excluding the sales return allowance for anticipated product returns related to discontinued SKUs. Net sales excluding the sales return allowance for anticipated product returns related to discontinued SKUs is a non-GAAP measure used in the denominator of the adjusted margin ratios to reverse the full effect of the SKU rationalization adjustments. The sales return allowance was nil for both periods.

Adjusted operating income and adjusted operating margin

Adjusted operating income is calculated as operating income before restructuring and acquisition-related costs. Adjusted operating income also excludes impairment of goodwill and intangible assets (and reversal of impairments on intangible assets), the impact of the Company's strategic product line initiatives, net insurance gains, and gain on sale and leaseback. Adjusted operating margin is calculated as adjusted operating income divided by net sales, excluding the sales return allowance for anticipated product returns related to discontinued SKUs. Management uses adjusted operating income and adjusted operating margin to measure its performance at the operating income level as we believe it provides a better indication of our operating performance and facilitates the comparison across reporting periods, 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 operating income and operating margin performance. The Company believes adjusted operating income and adjusted operating margin are useful to investors because they help identify underlying trends in our business in how efficiently the Company generates profit from its primary operations that could otherwise be masked by the impact of the items noted above that can vary from period to period. Excluding these items does not imply they are non-recurring. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

(in $ millions, or otherwise indicated)	**Q2 2023**	Q2 2022	**YTD 2023**	YTD 2022
Operating income	**182.7**	174.0	**310.7**	336.2
Adjustments for:				
Restructuring and acquisition-related costs (recovery)	**30.0**	1.6	**32.8**	(1.2)
Impact of strategic product line initiatives	**—**	—	**—**	(1.0)
Net insurance gains	**(74.0)**	—	**(77.3)**	(0.3)
Gain on sale and leaseback	**—**	—	**(25.0)**	—
Adjusted operating income	**138.7**	175.6	**241.2**	333.7
Operating margin	**21.7 %**	19.4 %	**20.1 %**	20.1 %
Adjusted operating margin(1)	**16.5 %**	19.6 %	**15.6 %**	20.0 %

(1) This is a non-GAAP ratio. It is calculated as adjusted operating income divided by net sales excluding the sales return allowance for anticipated product returns related to discontinued SKUs. Net sales, excluding the sales return allowance for anticipated product returns related to discontinued SKUs, is a non-GAAP measure used in the denominator of the adjusted margin ratios to reverse the full effect of the SKU rationalization adjustments. The sales return allowance was nil for both periods.

Adjusted EBITDA

Adjusted EBITDA is calculated as earnings before financial expenses net, income taxes, and depreciation and amortization, and excludes the impact of restructuring and acquisition-related costs. Adjusted EBITDA also excludes impairment of goodwill and intangible assets (and reversal of impairments on intangible assets), net insurance gains, the gain on sale and leaseback, and the impact of the Company's strategic product line initiative. Management uses adjusted EBITDA, among other measures, to facilitate a comparison of the profitability of its business on a consistent basis from period-to-period and to provide a more complete understanding of factors and trends affecting our business. The Company also believes this measure is commonly used by investors and analysts to assess profitability and the cost structure of companies within the industry, as well as 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. This measure does not have any standardized meanings prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies.

(in $ millions)	**Q2 2023**	Q2 2022	**YTD 2023**	YTD 2022
Net earnings	**155.3**	158.2	**252.9**	304.6
Restructuring and acquisition-related costs (recovery)	**30.0**	1.6	**32.8**	(1.2)
Impact of strategic product line initiatives	**—**	—	**—**	(1.0)
Net insurance gains	**(74.0)**	—	**(77.3)**	(0.3)
Gain on sale and leaseback	**—**	—	**(25.0)**	—
Depreciation and amortization	**31.6**	32.3	**59.5**	65.7
Financial expenses, net	**20.7**	7.4	**37.7**	14.4
Income tax expense	**6.7**	8.4	**20.1**	17.2
Adjusted EBITDA	**170.3**	207.9	**300.7**	399.4

Free cash flow

Free cash flow is defined as cash from operating activities, less cash flow used in investing activities excluding cash flows relating to business acquisitions/dispositions. 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 used by management in managing capital as it indicates how much cash is available after capital expenditures to repay debt, to pursue business acquisitions, and/or to redistribute to its shareholders. Management believes that free cash flow also provides investors with an important perspective on the cash available to us to service debt, fund acquisitions, and pay dividends. In addition, free cash flow is commonly used by investors and analysts when valuing a business and its underlying assets. This measure does not have any standardized meanings prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies.

(in $ millions)	**Q2 2023**	Q2 2022	**YTD 2023**	YTD 2022
Cash flows from (used in) operating activities	**181.8**	209.7	**2.4**	158.3
Cash flows from (used in) investing activities	**(55.8)**	(50.3)	**(78.6)**	(84.3)
Adjustment for:				
Business (dispositions) acquisitions	**—**	—	**—**	—
Free cash flow	**126.0**	159.4	**(76.2)**	74.0

Total debt and net debt

Total debt is defined as the total bank indebtedness, long-term debt (including any current portion), and lease obligations (including any current portion), and net debt is calculated as total debt net of cash and cash equivalents. The Company considers total debt and net debt to be important indicators for management and investors to assess the financial position and liquidity of the Company, and measure its financial leverage. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

(in $ millions)	**Jul 2, 2023**	Jan 1, 2023
Long-term debt (including current portion)	**1,145.0**	930.0
Bank indebtedness	**—**	—
Lease obligations (including current portion)	**93.6**	94.0
Total debt	**1,238.6**	1,024.0
Cash and cash equivalents	**(68.6)**	(150.4)
Net debt	**1,170.0**	873.6

Net debt leverage ratio

The net debt leverage ratio is defined as the ratio of net debt to pro-forma adjusted EBITDA for the trailing twelve months, all of which are non-GAAP measures. 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 fiscal year-end net debt leverage target ratio of one to two times pro-forma adjusted EBITDA for the trailing twelve months. The net debt leverage ratio serves to evaluate the Company's financial leverage and is used by management in its decisions on the Company's capital structure, including financing strategy. The Company believes that certain investors and analysts use the net debt leverage ratio to measure the financial leverage of the Company, including our ability to pay off our incurred debt. The Company's net debt leverage ratio differs from the net debt to EBITDA ratio that is a covenant in our loan and note agreements due primarily to adjustments in the latter related to lease accounting, and therefore the Company believes it is a useful additional measure. This measure does not have any standardized meanings prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies.

(in $ millions, or otherwise indicated)	**Jul 2, 2023**	Jan 1, 2023
Adjusted EBITDA for the trailing twelve months	**665.3**	764.2
Adjustment for:		
Business (dispositions) acquisitions	**—**	—
Pro-forma adjusted EBITDA for the trailing twelve months	**665.3**	764.2
Net debt	**1,170.0**	873.6
Net debt leverage ratio[(1)]	**1.8**	1.1

(1) The Company's total net debt to EBITDA ratio for purposes of its loan and note agreements was 1.9 at July 2, 2023.

Caution Concerning Forward-Looking Statements

Certain statements included in this press release 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, including, without limitation, our expectation with regards to net sales, gross margin, SG&A expenses, restructuring and acquisition-related costs, operating margin, adjusted operating margin, adjusted EBITDA, diluted earnings per share, adjusted diluted earnings per share, income tax rate, free cash flow, return on adjusted average net assets, net debt to adjusted EBITDA leverage ratios, capital return and capital investments or expenditures, including our financial outlook set forth in this press release under the section “Outlook”. Forward-looking statements generally can be identified by the use of conditional or forward-looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “project”, “assume”, “anticipate”, “plan”, “foresee”, “believe”, or “continue”, or the negatives of these terms or variations of them or similar terminology. We refer you to the Company’s filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission, as well as the risks described under the “Financial risk management”, “Critical accounting estimates and judgments”, and “Risks and uncertainties” sections of our most recent Management’s Discussion and Analysis 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 such document and this press release.

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:

- changes in general economic and financial conditions globally or in one or more of the markets we serve, including those resulting from the impact of the COVID-19 pandemic and the appearance of COVID variants;
- our ability to implement our growth strategies and plans, including our ability to bring projected capacity expansion online;
- our ability to successfully integrate acquisitions and realize expected benefits and synergies;
- the intensity of competitive activity and our ability to compete effectively;
- 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 from current levels;
- our reliance on key suppliers and our ability to maintain an uninterrupted supply of raw materials, intermediate materials and finished goods;
- the impact of climate, political, social, and economic risks, natural disasters, epidemics, pandemics and endemics, such as the COVID-19 pandemic, in the countries in which we operate or sell to, 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, weather-related events,

natural disasters, epidemics and pandemics, such as the COVID-19 pandemic, 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 manufacturing operations or the application of safeguards thereunder;
- factors or circumstances that could increase our effective income tax rate, including the outcome of any tax audits or changes to applicable tax laws or treaties, including the implementation of a global minimum tax rate;
- 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 human rights, 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 on trade accounts receivables and other financial instruments, 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 press release 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 press release, including our updated financial outlook for the 2023 fiscal year under the section "Outlook", are expressly qualified by this cautionary statement.

About Gildan

Gildan is a leading manufacturer of everyday basic apparel. The Company's product offering includes activewear, underwear and socks, sold to a broad range of customers, including wholesale distributors, screenprinters or embellishers, as well as to retailers that sell to consumers through their physical stores and/or e-commerce platforms and to global lifestyle brand companies. The Company 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®, GOLDTOE®, Peds®, in addition to the Under Armour® brand through a sock licensing agreement providing exclusive distribution rights in the United States and Canada.

Gildan owns and operates vertically integrated, large-scale manufacturing facilities which are primarily located in Central America, the Caribbean, North America, and Bangladesh. Gildan operates with a strong commitment to industry-leading labour, environmental and governance practices throughout its supply chain in accordance with its comprehensive ESG program embedded in the Company's long-term business strategy. More information about the Company and its ESG practices and initiatives can be found at www.gildancorp.com.

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