



# GILDAN®

## 2023 First Quarter Shareholder Report

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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 three months ended April 2, 2023. 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 unaudited condensed interim consolidated financial statements as at and for the three months ended April 2, 2023, and the related notes, and with our MD&A for the year ended January 1, 2023 (2022 Annual MD&A).

In preparing this MD&A, we have taken into account all information available to us up to May 3, 2023, the date of this MD&A. The unaudited condensed interim consolidated financial statements as at and for the three months ended April 2, 2023 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 May 3, 2023.

The unaudited condensed interim consolidated financial statements as at and for the three months ended April 2, 2023 have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). All financial information contained in this MD&A is consistent with International Financial Reporting Standards (IFRS), 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 2022 Annual Information Form, is available on our website at [www.gildancorp.com](http://www.gildancorp.com), on the SEDAR website at [www.sedar.com](http://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](http://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, including statements related to the Company's GSG Strategy and Next Generation ESG strategy and ESG targets as well as information with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. In particular, information appearing under the headings "Our business", "Strategy", "Operating results", "Liquidity and capital resources - Long-term debt and net debt", "Financial risk management", and "Risk and uncertainties" 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 and of the 2022 Annual MD&A for a discussion of the various factors that may affect the Company's future results. Material factors and assumptions that were applied in drawing a conclusion or making a forecast or projection are also set out throughout this document and the 2022 Annual MD&A.

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 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 vertically integrated manufacturer of everyday basic apparel, including activewear, underwear, and hosiery products. Our products are sold to wholesale distributors, screenprinters and embellishers in North America, Europe, Asia-Pacific, and Latin America, as well as to retailers in North America, including mass merchants, department stores, national chains, specialty retailers, craft stores and online retailers. We also manufacture products for global lifestyle brand companies who market these products under their own brands through their own retail establishments, e-commerce platforms, and/or to third-party retailers.

Manufacturing and operating as a socially responsible producer is at the heart of what we do. The vast majority of our sales are derived from products we manufacture ourselves. Since the Company's formation, we have made significant capital investments in developing and operating our own large-scale, vertically integrated manufacturing facilities, including yarn production, textile and sock manufacturing, as well as sewing operations, controlling all aspects of the production process from start to finish for the garments we produce.

We believe the skill set that we have developed in designing, constructing, and operating our own manufacturing facilities, the level of vertical integration of our supply chain and the capital investments that we have made over the years differentiate us from our competition who are not as vertically integrated and may rely more heavily on third-party suppliers. Owning and operating the vast majority of our manufacturing facilities allows us to exercise tighter control over our production processes, efficiency levels, costs and product quality, as well as to provide reliable service with short production/delivery cycle times. In addition, running our own operations allows us to achieve adherence to high standards for environmental and social responsibility practices employed throughout our supply chain.

#### **3.2 Our Operations**

##### **3.2.1 Brands, Products and Customers**

The products we manufacture and sell are marketed under Company brands, including Gildan®, American Apparel®, Comfort Colors®, Gildan® Hammer™ and GoldToe®. Further, we manufacture for and supply products to select leading global athletic and lifestyle brands, as well as to certain retail customers who market these products under their own exclusive brands. We also sell sock products under the Under Armour® brand through a sock licensing agreement, for exclusive distribution in the United States and Canada.

Our primary product categories include activewear tops and bottoms (activewear), socks (hosiery), and underwear tops and bottoms (underwear). In fiscal 2022, activewear sales accounted for 85% of total net sales, and hosiery and underwear sales accounted for 15% of total net sales.

We sell our activewear products primarily in "blank" or undecorated form, without imprints or embellishment. The majority of our activewear sales are currently derived from activewear sold to wholesale distributors in the imprintables channels in North America and internationally. These wholesale distributors then sell the blank garments to screenprinters/embellishers who decorate the products with designs and logos, and who in turn sell the embellished/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. We also sell activewear products in blank form directly to various retailers, or through national accounts servicing retailers, in addition to underwear and socks for men, ladies, and kids. These retailers include mass merchants, department stores, national chains, sports specialty stores, craft stores, food and drug retailers, dollar stores, and price clubs, all of which sell to consumers through their brick and mortar outlets and/or their e-commerce platforms. Additionally, we sell to pure-play online retailers who sell to consumers. We also manufacture for and sell to select leading global athletic and lifestyle consumer brand companies who distribute these products within the retail channel through their own retail establishments, e-commerce platforms, and/or through third-party retailers.

The following table summarizes our product offering under Company and licensed brands:

Primary product categories	Product-line details	Brands
Activewear	T-shirts, fleece tops and bottoms, and sport shirts	Gildan®, Gildan Performance®, Gildan® Hammer™, Comfort Colors®, American Apparel®, GoldToe®
Hosiery	athletic, dress, casual and workwear socks, liner socks, and socks for therapeutic purposes <sup>(1)</sup>	Gildan®, Under Armour® <sup>(2)</sup> , GoldToe®, PowerSox®, Signature Gold by GoldToe®, Peds®, MediPeds®, All Pro®, American Apparel®
Underwear	men's and boys' underwear (tops and bottoms) and ladies panties	Gildan®, Gildan Platinum®

(1) Applicable only to MediPeds®.

(2) Under license agreement for socks only - with exclusive distribution rights in the U.S. and Canada. License expires on March 31, 2024.

### 3.2.2 Manufacturing

The vast majority of our products are manufactured in facilities that we own and operate. To a much lesser extent, we also use third-party contractors to supplement certain product requirements. Our vertically integrated operations range from start to finish of the garment production process and include capital-intensive yarn-spinning, textile and sock manufacturing facilities, as well as labour-intensive sewing facilities. Our manufacturing operations are situated in four main hubs, specifically in the United States, Central America, the Caribbean, and Bangladesh. All of our yarn-spinning operations are located in the United States, while textile, sewing, and sock manufacturing operations are situated in the other geographical hubs mentioned above, the largest of which is in Honduras in Central America.

In order to support further sales growth, continue to drive an efficient and competitive cost structure, and enhance geographic diversification in our supply chain, we are expanding manufacturing capacity across our manufacturing network, including a significant expansion in Bangladesh, which involves the development of a large multi-plant manufacturing complex expected to house two large textile facilities and related sewing operations. Construction of the first facility of the complex is in its final stages; including installation of the production equipment. Progressive ramp-up of operations is underway and will continue through 2023 and 2024.

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

	United States	Central America	Caribbean	Asia
<b>Yarn-spinning facilities<sup>(1)</sup>:</b> conversion of cotton, polyester and other fibers into yarn	<ul style="list-style-type: none"> <li>■ Salisbury, NC (2 facilities)</li> <li>■ Mocksville, NC</li> <li>■ Eden, NC</li> <li>■ Clarkton, NC</li> <li>■ Sanford, NC (2 facilities)</li> <li>■ Mayodan, NC</li> </ul>			
<b>Textile facilities:</b> knitting yarn into fabric, dyeing and cutting fabric		■ Honduras (4 facilities)	■ Dominican Republic	■ Bangladesh
<b>Sewing facilities<sup>(2)</sup>:</b> assembly and sewing of cut goods		<ul style="list-style-type: none"> <li>■ Honduras (3 facilities)</li> <li>■ Nicaragua (4 facilities)</li> </ul>	■ Dominican Republic (3 facilities)	■ Bangladesh
<b>Garment-dyeing<sup>(3)</sup>:</b> pigment dyeing or reactive dyeing		■ Honduras		
<b>Hosiery manufacturing facilities:</b> conversion of yarn into finished socks		■ Honduras		

(1) While the majority of our yarn requirements are internally produced, we also use third-party yarn-spinning suppliers, primarily in Asia for our Bangladesh operations, to satisfy the remainder of our yarn needs.

(2) Although the majority of our sewing facilities are Company-operated, we also use the services of third-party sewing contractors, in other regions in Central America and Haiti, to satisfy the remainder of our sewing requirements.

(3) Garment dyeing is a feature of our Comfort Colors® products only, which involves a different dyeing process than how we typically dye the majority of our products at our textile facilities. Our garment dyeing operations are located in our Rio Nance 3 facility in Honduras.

### 3.2.3 Environmental, Social and Governance (ESG) Program

ESG is core to Gildan's long-term business strategy and has long-been a key element of our success. As one of the most vertically integrated manufacturers in the apparel industry, producing the vast majority of the products we sell in our owned and/or Company-operated facilities, we have the advantage of exercising direct control on how we operate and in driving our ESG practices consistently across our operations.

The Company's ESG program is overseen centrally and the execution of the program is managed by dedicated teams of skilled professionals located in the regions where we operate. Our Board of Directors' Corporate Governance and Social Responsibility Committee, composed of independent directors, has the specific responsibility of overseeing Gildan's policies and practices in areas relevant to the environment, labour and human rights, health and safety, and other sustainability issues, including community engagement and stakeholder relations.

Building on a strong foundation of best-in-class ESG practices, the Company is executing on its "Next Generation ESG" strategy, an enhanced framework designed to deliver meaningful advancements by 2030 in key areas related to Climate, Energy, and Water; Circularity; Human Capital Management; Long-Term Value Creation; and Transparency and Disclosure. Under this strategy, Gildan seeks to tackle global environmental and social priorities aimed at improving the lives of people who make Gildan garments, further protecting the environment, empowering neighboring communities, and increasing the sustainability of products delivered to customers worldwide.

The Company's targets and objectives in the five key focus areas of its Next Generation ESG strategy are as follows:

- **Climate, Energy, and Water**

Gildan is committed to continuing its fight against climate change by paving the way towards a low carbon future, with a goal of reducing its scope 1 and 2 greenhouse gas (GHG) emissions by 30% by 2030<sup>1</sup> aligned with the Science Based Targets initiative (SBTi) and the level of decarbonization required to meet the goals of the Paris Agreement. To that effect, Gildan has signed the SBTi commitment letter, joining companies worldwide in following a science-based approach in reducing carbon emissions. SBTi is currently in the process of validating our targets. Gildan is also committed to addressing water related risks linked to climate change. The Company plans to further invest in water efficiency and implement additional water reducing, reusing, and recycling options in its operations with the goal to reduce water intensity (usage/withdrawal per kilogram produced) by 20% by 2030<sup>1</sup>.

- **Circularity**

Gildan is committed to fostering a circular economy to reduce its environmental impact and intends to source more sustainable and transparent raw materials and enhance sustainable waste management initiatives. This will include sourcing 100% sustainable cotton by 2025 and 30% recycled polyester or alternative fibers and/or yarns by 2027. The Company also plans to achieve zero manufacturing waste by 2027 and to use 75% recycled or sustainable packaging and trim materials by 2027.

- **Human Capital Management**

The Company will continue ensuring human rights are respected in its supply chain. Gildan will also push health and safety performance to new standards by working to improve employee safety and reducing workplace risks across its operations. To achieve this, Gildan plans to attain the ISO 45001 certification at all its Company-owned and operated facilities by 2028.

On diversity, equity, and inclusion, the Company set a first-time goal to improve gender parity. While Gildan has already attained gender parity globally at the manager level and below, by 2027 it is targeting to achieve gender parity within the employee group encompassing director level and above.

- **Long-Term Value Creation**

Gildan is committed to positively impacting economic development in regions where the Company operates with meaningful community engagement. Gildan intends to incrementally increase allocation of capital towards purposeful and value-driven projects in regions where the Company operates and plans to gradually reach a contribution of 1% of its pre-tax earnings by 2026. In parallel, the Company will also engage one of its most important stakeholders, its people, and continue to facilitate and encourage employee volunteerism at all levels to further deepen local impact.

- **Transparency and Disclosure**

A key part of Gildan's accountability in reaching these targets will be to transparently share the journey with stakeholders. To that effect, Gildan plans to further enhance and strengthen its ESG disclosure across all its areas of focus, effectively allowing stakeholders to make more informed ESG-focused decisions and maintaining a high degree of trust and understanding of Gildan.

Please visit [www.GildanRespects.com](http://www.GildanRespects.com) for more information on our ESG program and a more detailed discussion of our accomplishments in ESG. Information on the Company's website does not form part of and is not incorporated by reference in this MD&A.

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<sup>1</sup> Compared to a 2018 baseline



### 3.2.4 Sales, marketing and distribution

Our global 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, production planning, inventory control and logistics, as well as finance, human resources and information technology functions. We also maintain sales support offices in the U.S. We have established extensive distribution operations primarily through internally managed and operated large distribution centres and some smaller facilities in the U.S., as well as a large distribution facility in Honduras. To supplement some of our distribution needs, we also use third-party warehouses in North America, Europe, and Asia.

### 3.2.5 Employees and corporate office

We currently employ over 47,000 employees worldwide. Our corporate head office is located in Montreal, Canada.

### 3.3 Competitive environment

The basic apparel market for our products is highly competitive. Competition is generally based upon service and product availability, price, quality, comfort and fit, style, and brand. We compete on these factors by leveraging our competitive strengths, including our strategically located and vertically integrated manufacturing supply chain, scale, cost structure, global distribution, and our brand positioning in the markets we serve. We believe our manufacturing skill set, together with our large-scale, low-cost vertically integrated supply chain infrastructure that we have developed by investing significantly over time are key competitive strengths and differentiators from our competition.

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-based manufacturers are Hanesbrands Inc., as well as Fruit of the Loom, Inc., a subsidiary of Berkshire Hathaway Inc. which competes through its own brand offerings and those of its subsidiary, Russell Corporation. These companies manufacture out of some of the same geographies as Gildan and compete primarily within the same basic apparel product categories in similar channels of distribution in North America and international markets. In socks and underwear, our competitors also include Renfro Corporation, Jockey International, Inc., and Kayser Roth Corporation. In addition, we compete with smaller U.S.-based companies selling to or operating as wholesale distributors of imprintables activewear products, including Next Level Apparel, Color Image Apparel, Inc. (owner of the Bella + Canvas brand), and Delta Apparel Inc., as well as Central American and Mexican manufacturers that supply products in the imprintables channel. Finally, although we also compete with some of our customers' own private brand offerings, we also supply products to certain customers that are seeking strategic suppliers with our type of manufacturing capabilities to support their private brand offerings.

## 4.0 STRATEGY

Building on a strong foundation, in 2022 the Company launched its "Gildan Sustainable Growth" (GSG) strategy focused on driving organic top and bottom-line growth through three key pillars – capacity expansion, innovation, and ESG. We believe that leveraging our competitive advantage as a low-cost, vertically integrated manufacturer and successfully executing on well-defined capacity expansion plans, delivering value-driven and innovative products, together with leading ESG practices, will position us well to drive strong revenue growth, profitability and effective asset utilization, all of which are expected to allow us to deliver long-term shareholder value creation.

The three pillars of our GSG strategy are:

**Capacity-driven growth:** *Leveraging our strong competitive advantage as a low-cost vertically integrated manufacturer as we execute on well-defined plans to expand our global production capacity to support our long-term growth plans.*

To this end, we have added incremental textile and sewing capacity in our manufacturing hubs in Central America and the Dominican Republic. Through the acquisition of Frontier Yarns, we have strengthened our vertical integration by expanding our yarn-spinning capabilities. We are also in the process of consolidating and modernizing our overall U.S. yarn spinning operations. Additionally, the Company is executing on the first phase of development of a large vertically integrated textile and sewing complex in Bangladesh as described in more detail in subsection 3.2.2 entitled "Manufacturing" in this MD&A.



***Innovation:*** Driving leadership in innovation across the organization and all areas of operations aimed at delivering high-quality, value-driven products, increased speed-to-market, operational efficiencies and a reduced environmental footprint

The Company has identified and defined specific key initiatives, as well as investments aimed at driving innovation in our product-development and manufacturing processes, distribution and final products, including fabric features, product fit, fabric adaptability to evolving printing and decorating techniques, and ESG-friendly product attributes. Further investments will also be allocated to leverage digital tools, predictive analytics and artificial intelligence to better inform and accelerate decision-making across the organization, streamline systems and processes, and enhance planning, forecasting and market research.

***ESG:*** Further increasing our ESG focus across all operations and leveraging our strong ESG standing and progress to enhance our value proposition to all our stakeholders.

We are implementing our Next Generation ESG strategy and making progress towards our long-term ESG targets, heightening ESG efforts across the organization. Initiatives under our strategy are aimed at reducing our carbon footprint, and water intensity (usage/withdrawal per kilogram produced), and fostering a circular economy, while driving increased operational efficiencies. Additional initiatives build on supporting economic development in regions where we operate and ensuring strong respect of human rights and high health and safety standards throughout our supply chain. Further, we will be increasing investment in our people, driving diversity and inclusion across our operations and enhancing ESG disclosure and transparency. All important areas of focus as we build on what is already a strong ESG proposition for all stakeholders.

Successfully executing on all of the above initiatives underpinning the three pillars of our strategy is expected to position the Company to generate long-term revenue growth, sustained profitability and effective asset utilization, all of which are expected to deliver long-term value to our shareholders.

## 5.0 OPERATING RESULTS

### Overview and business environment

In 2022, activewear sold to wholesale distributors, servicing the imprints industry, benefited from the continued post-pandemic recovery and the comeback of large gatherings, while activewear sold through our National account customers, servicing retail end-markets, were hampered by a softening demand environment and ongoing inventory adjustments at retailers. The softening demand environment also negatively impacted POS trends in the North American imprints channel in the latter half of 2022. Our international markets continued to be impacted by difficult economic conditions in Europe and Asia, and the strict Covid policy prevailing in China until late 2022. In the first quarter of 2023, we were encouraged by improving inventory levels at the retailers reflecting an improving demand environment for our products. We also saw year-over-year POS trends in the North American imprintable channel improve sequentially, but remain down compared to last year. This said, our customer base remains cautious on replenishment across all channels reflecting the prevalent economic uncertainty.

With ongoing capacity investments in both yarn-spinning and textile operations, we increased our manufacturing flexibility which has allowed us to rebuild our inventories to healthier levels and strengthen our relationships with distributors by improving serviceability. While we are mitigating inflationary pressure through tight control over our vertically integrated supply chain, and through effective pricing decisions, we expect headwinds through the first half of 2023 as peak fiber costs in our inventories flow through cost of sales, with these headwinds abating in the second half. We are executing on our capital allocation strategy, investing in capital projects, and returning capital to shareholders through dividends and active share repurchases, while maintaining a healthy financial position. We believe we are well positioned to drive growth under the "Gildan Sustainable Growth" strategy, described in section 4 of this MD&A. While we believe our vertically-integrated manufacturing model facilitates our ability to navigate through various headwinds impacting the current market landscape, it is difficult to predict the impact of such headwinds on our business due to the lagging effects of the pandemic, inflationary pressures, increased recessionary risks, tightening financial conditions and other factors.

## 5.1 Non-GAAP financial measures

We use non-GAAP financial measures and ratios to assess our operating performance and liquidity. 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. In this MD&A, we use non-GAAP financial measures and ratios including adjusted net earnings, adjusted diluted EPS, adjusted gross profit, adjusted gross margin, adjusted operating income, adjusted operating margin, and adjusted EBITDA 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 to investors on the Company's financial performance and financial condition. We also use other non-GAAP financial measures including free cash flow, total debt, net debt, net debt leverage ratio and working capital.

We refer the reader to section 15.0 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 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 share and per share amounts or otherwise indicated)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Net sales	<b>702.9</b>	720.0	850.0	895.6	774.9	784.3	801.6	747.2
Net earnings	<b>97.6</b>	83.9	153.0	158.2	146.4	173.9	188.3	146.4
Net earnings per share:								
Basic <sup>(1)</sup>	<b>0.54</b>	0.47	0.84	0.85	0.77	0.90	0.95	0.74
Diluted <sup>(1)</sup>	<b>0.54</b>	0.47	0.84	0.85	0.77	0.89	0.95	0.74
Weighted average number of shares outstanding (in '000s):								
Basic	<b>179,543</b>	179,680	181,980	185,506	189,344	193,841	197,334	198,464
Diluted	<b>179,843</b>	179,897	182,239	185,869	190,214	194,760	198,059	199,050

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

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

### 5.2.1 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. Although certain products have seasonal peak periods of demand, competitive dynamics may influence the timing of customer purchases causing seasonal trends to vary somewhat from year to year. 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. Historically, demand for fleece is typically highest in advance of the fall and winter seasons, in the second and third quarters of the year. Sales of hosiery and underwear are typically 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. 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. Subsection 5.4.6 entitled "Restructuring and acquisition-related costs (recovery)" in this MD&A contains a discussion of costs related to the Company's restructuring actions and business acquisitions. Share repurchases have reduced our number of shares outstanding and increased our net earnings per share (EPS) in each of the last seven quarters. The Company may repurchase more shares in the future as deemed appropriate, but this remains uncertain. The effect of asset write-downs or reversals, including allowances for expected credit losses, provisions for discontinued inventories, and impairments of long-lived assets can also affect the variability of our results. In the fourth quarter of fiscal 2022, we reported an impairment charge of \$62 million relating to our Hosiery cash-generating unit (CGU), compared to a reversal of impairment of \$32 million (net of specific asset write-offs) in the fourth quarter of fiscal 2021. Our results of operations over the past two years also include net insurance gains resulting from accrued insurance recoveries for the Company's claims for losses relating to the two hurricanes in Central America in November 2020 (Q2 2021: \$13 million; Q3 2021: \$30 million; Q1 2022: \$0.3 million; Q4 2022: \$25.6 million and Q1 2023: \$3.3 million).

Subsequent to the end of the quarter, the Company finalized an agreement with the insurer to close its insurance claims related to the two hurricanes which occurred in Central America in November 2020. The Company expects to receive a final insurance claims payment of \$74 million, relating to the business interruption portion of its claims, which is expected to be recognized as a gain in the Company's consolidated statement of earnings and comprehensive income in the second quarter of 2023.

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

### 5.3 Selected financial information

	Three months ended			
	Apr 2, 2023	Apr 3, 2022	Variation \$	%
<i>(in \$ millions, except per share amounts or otherwise indicated)</i>				
Net sales	<b>702.9</b>	774.9	(72.0)	(9.3)%
Gross profit	<b>187.7</b>	240.4	(52.7)	(21.9)%
Adjusted gross profit <sup>(1)</sup>	<b>184.4</b>	239.1	(54.7)	(22.9)%
SG&A expenses <sup>(5)</sup>	<b>81.8</b>	81.0	0.8	1.0 %
Gain on sale and leaseback	<b>(25.0)</b>	—	(25.0)	n.m.
Restructuring and acquisition-related costs (recovery)	<b>2.8</b>	(2.8)	5.6	n.m.
Operating income	<b>128.0</b>	162.2	(34.2)	(21.1)%
Adjusted operating income <sup>(1)</sup>	<b>102.5</b>	158.1	(55.6)	(35.2)%
Adjusted EBITDA <sup>(1)</sup>	<b>130.4</b>	191.6	(61.2)	(31.9)%
Financial expenses	<b>17.0</b>	7.0	10.0	142.9 %
Income tax expense	<b>13.4</b>	8.8	4.6	52.3 %
Net earnings	<b>97.6</b>	146.4	(48.8)	(33.3)%
Adjusted net earnings <sup>(1)</sup>	<b>81.6</b>	144.3	(62.7)	(43.5)%
Basic EPS	<b>0.54</b>	0.77	(0.23)	(29.9)%
Diluted EPS	<b>0.54</b>	0.77	(0.23)	(29.9)%
Adjusted diluted EPS <sup>(1)</sup>	<b>0.45</b>	0.76	(0.31)	(40.8)%
Gross margin <sup>(2)</sup>	<b>26.7 %</b>	31.0 %	n/a	(4.3) pp
Adjusted gross margin <sup>(1)</sup>	<b>26.2 %</b>	30.9 %	n/a	(4.7) pp
SG&A expenses as a percentage of net sales <sup>(3)</sup>	<b>11.6 %</b>	10.5 %	n/a	1.1 pp
Operating margin <sup>(4)</sup>	<b>18.2 %</b>	20.9 %	n/a	(2.7) pp
Adjusted operating margin <sup>(1)</sup>	<b>14.6 %</b>	20.4 %	n/a	(5.8) pp
	Apr 2, 2023	Jan 1, 2023	Variation \$	%
Total assets	<b>3,629.1</b>	3,440.2	188.9	5.5 %
Total non-current financial liabilities	<b>980.0</b>	780.0	200.0	25.6 %
Net debt <sup>(1)</sup>	<b>1,153.7</b>	873.6	280.1	32.1 %
Quarterly cash dividend declared per common share	<b>0.186</b>	0.169	0.017	10.1 %
Net debt leverage ratio <sup>(1)</sup>	<b>1.6</b>	1.1	n/a	n/a

n.m. = not meaningful

n/a = not applicable

(1) This is a non-GAAP financial measure or ratio. See section 15.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

(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.

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

## 5.4 Operating review

### 5.4.1 Net sales

	Three months ended			
	Apr 2, 2023	Apr 3, 2022	Variation	
<i>(in \$ millions, or otherwise indicated)</i>			\$	%
Activewear	587.8	667.3	(79.5)	(11.9)%
Hosiery and underwear	115.1	107.6	7.5	7.0 %
Total net sales	702.9	774.9	(72.0)	(9.3)%

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

Net sales for the first quarter ended April 2, 2023, were in line with our expectations at \$703 million, down \$72 million, or 9%, over the prior year sales. The decrease in net sales over the prior year was due to lower sales volumes and unfavourable mix, partially offset by higher net selling prices which were up on average in the mid-single-digit range. In activewear, we generated sales of \$588 million, down \$80 million or 12% compared to the same period last year which benefited from distributor inventory replenishment following the pandemic and a tight manufacturing environment in 2021. During the first quarter, year-over-year POS trends at North American distributors came in line with our expectations, showing sequential quarterly improvement, but were down compared to last year. Further, while international sales in the quarter were down 17% versus the prior year, we are continuing to maintain a positive outlook regarding the recovery of international markets for the full year, supported by positive POS in the quarter. We observed notable strength in the hosiery and underwear category for the quarter with sales totaling \$115 million, up \$8 million or 7% over the prior year quarter, mainly driven by sock volume growth. While industry demand for men's underwear remained down in the quarter year-over-year, POS trends improved sequentially, and we achieved share gains in men's underwear in the mass retail channel. Further, while our retail customers remain cautious on replenishment across all product categories, we were encouraged by improving inventory levels at the retailers in the first quarter reflecting what we believe is an improving demand environment for our products.

### 5.4.2 Gross profit and adjusted gross profit

	Three months ended		
	Apr 2, 2023	Apr 3, 2022	Variation
<i>(in \$ millions, or otherwise indicated)</i>			
Gross profit	187.7	240.4	(52.7)
Adjustments for:			
Impact of strategic product line initiatives <sup>(1)</sup>	—	(1.0)	1.0
Net insurance gains <sup>(1)</sup>	(3.3)	(0.3)	(3.0)
Adjusted gross profit <sup>(2)</sup>	184.4	239.1	(54.7)
Gross margin	26.7 %	31.0 %	(4.3) pp
Adjusted gross margin <sup>(2)</sup>	26.2 %	30.9 %	(4.7) pp

(1) See subsection entitled "Certain adjustments to non-GAAP measures" for additional information on adjustments in section 15.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

(2) This is a non-GAAP financial measure or ratio. See section 15.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

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

We generated gross profit of \$188 million in the quarter and adjusted gross profit of \$184 million, down respectively \$53 million and \$55 million over the prior year, driven by the decline in sales and lower gross margins. Gross margin of 26.7% and adjusted gross margin of 26.2% were down year-over year by 430 basis points and 470 basis points, respectively. 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, and due to unfavourable mix. These factors were partly offset by higher net selling prices.

### 5.4.3 Selling, general and administrative expenses (SG&A)

<i>(in \$ millions, or otherwise indicated)</i>	Three months ended		
	Apr 2, 2023	Apr 3, 2022	Variation
SG&A expenses	81.8	81.0	0.8
SG&A expenses as a percentage of net sales	11.6 %	10.5 %	1.1 pp

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

SG&A expenses for the first quarter of \$82 million were largely in line with prior year levels at \$81 million, as higher advertising and the impact of cost inflation were mostly offset by a reversal of impairment of trade accounts receivable as noted in section 5.4.4 below and lower variable compensation costs. SG&A expenses as a percentage of net sales were 11.6% compared to 10.5% last year, primarily due to sales deleverage.

### 5.4.4 Impairment (Reversal of impairment) of trade accounts receivable

For the three months ended April 2, 2023, reversal of impairment of trade accounts receivable was \$2.3 million compared to an impairment of trade accounts receivable of \$0.5 million for three months ended April 3, 2022. The reversal of impairment of trade accounts receivable for the three months ended April 2, 2023 is mainly related to a decrease in the expected credit loss rate for a specific customer, partially offset by the impact of increases in overall trade receivables. For the three months ended April 3, 2022, the impairment of trade accounts receivable of \$0.5 million was due to an increase in trade accounts receivable.

### 5.4.5. Gain on sale and leaseback

During the three months ended April 2, 2023, the Company entered into an agreement to sell and leaseback one of its distribution centres located in the U.S. The proceeds of disposition were \$51 million. The Company recognized a right-of-use asset of \$4 million and a lease obligation of \$16 million. In addition, a pre-tax gain on sale of \$25.0 million (\$15.5 million after tax) was recognized in the condensed interim consolidated statements of earnings and comprehensive income in gain on sale and leaseback.

### 5.4.6 Restructuring and acquisition-related costs (recovery)

<i>(in \$ millions)</i>	Three months ended		
	Apr 2, 2023	Apr 3, 2022	Variation
Employee termination and benefit costs	0.5	0.6	(0.1)
Exit, relocation and other costs	2.7	0.4	2.3
Net gain on disposal, write-downs, and accelerated depreciation of property, plant and equipment, right-of-use assets and computer software related to exit activities	(0.4)	(3.9)	3.5
Acquisition-related transaction costs	—	0.1	(0.1)
Restructuring and acquisition-related costs (recovery)	2.8	(2.8)	5.6

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

Restructuring and acquisition-related costs for the three months ended April 2, 2023 mainly related to the December 2022 closure of a yarn-spinning plant in the U.S., and the exit cost from terminating a lease on a previously closed yarn facility. Restructuring and acquisition-related recovery for the three months ended April 3, 2022 mainly related to a gain on the sale of a former manufacturing facility in Mexico.

### 5.4.7 Operating income and adjusted operating income

(in \$ millions, or otherwise indicated)	Three months ended		
	Apr 2, 2023	Apr 3, 2022	Variation
Operating income	128.0	162.2	(34.2)
Adjustments for:			
Restructuring and acquisition-related costs (recovery) <sup>(1)</sup>	2.8	(2.8)	5.6
Impact of strategic product line initiatives	—	(1.0)	1.0
Net insurance gains <sup>(1)</sup>	(3.3)	(0.3)	(3.0)
Gain on sale and leaseback	(25.0)	—	(25.0)
Adjusted operating income <sup>(2)</sup>	102.5	158.1	(55.6)
Operating margin	18.2 %	20.9 %	(2.7) pp
Adjusted operating margin <sup>(2)</sup>	14.6 %	20.4 %	(5.8) pp

(1) See subsection entitled "Certain adjustments to non-GAAP measures" for additional information on adjustments in section 15.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

(2) This is a non-GAAP financial measure or ratio. See section 15.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

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

We generated operating income of \$128 million, or 18.2% of sales, which included the benefit of the \$25 million gain from the sale and leaseback of one of our U.S. distribution facilities, compared to operating income of \$162 million, or 20.9% of sales in the first quarter last year. Excluding this gain, as well as restructuring and acquisition related costs and net insurance gains, adjusted operating income was \$103 million, or 14.6% of sales, compared to \$158 million, or 20.4% of sales in the first quarter last year. The decline in GAAP and adjusted operating margin reflected the gross margin pressure in the quarter as noted above, and the partially offsetting impact of the gain on sale and leaseback on GAAP operating margin, and the impact of SG&A sales deleverage.

### 5.4.8 Financial expenses, net

(in \$ millions)	Three months ended		
	Apr 2, 2023	Apr 3, 2022	Variation
Interest expense on financial liabilities recorded at amortized cost	11.4	3.8	7.6
Bank and other financial charges	5.3	1.8	3.5
Interest accretion on discounted lease obligations	0.7	0.8	(0.1)
Interest accretion on discounted provisions	0.1	—	0.1
Foreign exchange (gain) loss	(0.5)	0.6	(1.1)
Financial expenses, net	17.0	7.0	10.0

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

The increase in interest expense for the three months ended April 2, 2023 was mainly due to higher average borrowing levels and higher interest expense as a result of higher effective interest rates on our long-term debt bearing interest at variable rates. The increase in bank and other financial charges was mainly due to higher fees incurred relating to increased volumes in, and interest rates for, our receivable sale program. Foreign exchange gains and losses in both periods relate primarily to the revaluation of net monetary assets denominated in foreign currencies.



#### 5.4.9 Income taxes

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

	Three months ended		
	Apr 2, 2023	Apr 3, 2022	Variation
<i>(in \$ millions, or otherwise indicated)</i>			
Earnings before income taxes	111.0	155.2	(44.2)
Income tax expense	13.4	8.8	4.6
Average effective income tax rate	12.1 %	5.7 %	6.4 pp

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

The increase in the income tax expense for the three months ended April 2, 2023, compared to the same period last year was mainly due to a \$9.5 million tax charge in the first quarter of 2023 related to the sale and leaseback of a distribution center located in the U.S., partially offset by the impact of lower overall pre-tax earnings. The pre-tax gain on the disposal and the related \$9.5 million tax charge is reflected as an adjustment in arriving at adjusted net earnings as noted in the table in subsection 5.5.0 of this MD&A. The income tax expense for the three months ended April 3, 2022 included a \$2 million tax expense related to the disposal of assets at our former manufacturing facilities in Mexico.

#### 5.5.0 Net earnings, adjusted net earnings, and earnings per share measures

	Three months ended		
	Apr 2, 2023	Apr 3, 2022	Variation
<i>(in \$ millions, except per share amounts)</i>			
Net earnings	97.6	146.4	(48.8)
Adjustments for:			
Restructuring and acquisition-related costs (recovery)	2.8	(2.8)	5.6
Impact of strategic product line initiatives	—	(1.0)	1.0
Net insurance gains	(3.3)	(0.3)	(3.0)
Gain on sale and leaseback	(25.0)	—	(25.0)
Income tax expense relating to the above-noted adjustments	9.5	2.0	7.5
Adjusted net earnings <sup>(1)</sup>	81.6	144.3	(62.7)
Basic EPS	0.54	0.77	(0.23)
Diluted EPS	0.54	0.77	(0.23)
Adjusted diluted EPS <sup>(1)</sup>	0.45	0.76	(0.31)

(1) This is a non-GAAP financial measure or ratio. See section 15.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

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

The significant decrease in net earnings and adjusted net earnings for the first quarter of 2023 compared to the same period in the prior year was mainly due to the decrease in operating income and adjusted operating income, and higher financial expenses.

## 6.0 FINANCIAL CONDITION

### 6.1 Current assets and current liabilities

<i>(in \$ millions)</i>	<b>Apr 2, 2023</b>	<b>Jan 1, 2023</b>	<b>Variation</b>
Cash and cash equivalents	<b>73.8</b>	150.4	(76.6)
Trade accounts receivable	<b>399.1</b>	248.8	150.3
Inventories	<b>1,314.8</b>	1,225.9	88.9
Prepaid expenses, deposits and other current assets	<b>102.4</b>	101.8	0.6
Accounts payable and accrued liabilities	<b>(408.4)</b>	(471.2)	62.8
Income tax payable	<b>(6.9)</b>	(6.6)	(0.3)
Current portion of lease obligations	<b>(15.4)</b>	(13.8)	(1.6)
Current portion of long-term debt	<b>(150.0)</b>	(150.0)	—
Dividends payable	<b>(33.6)</b>	—	(33.6)
Total working capital <sup>(1)</sup>	<b>1,275.8</b>	1,085.3	190.5
Current ratio <sup>(2)</sup>	<b>3.1</b>	2.7	n.m.

n.m. = not meaningful

(1) This is a non-GAAP financial measure or ratio. See section 15.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

(2) Current ratio is defined as current assets divided by current liabilities.

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

- The decrease in cash and cash equivalents mainly reflects cash outflows from operating activities due to increases in working capital, and capital expenditures, as well as share repurchases under the Company's NCIB program, partially offset by increases in amounts drawn under our revolving long-term bank credit facilities.
- The increase in trade accounts receivable (which are net of accrued sales discounts) was mainly due to the impact of higher days sales outstanding (DSO) as a result of longer payment terms, and the timing of sales, as well as a seasonally lower offset for accruals for sales discounts in trade accounts receivable mainly relating to the payout of annual rebate programs subsequent to the end of fiscal 2022.
- The increase in inventories was mainly due to planned seasonal increases in activewear unit volumes, with decreases in unit costs being largely offset by a higher cost inventory mix.
- The decrease in accounts payable and accrued liabilities is mainly due the impact of lower raw material costs, seasonally lower sourced goods purchases and lower days purchases in payables.
- Working capital was \$1,276 million as at April 2, 2023, compared to \$1,085 million as at January 1, 2023. The current ratio at the end of the first quarter of fiscal 2023 was 3.1, compared to 2.7 at the end of fiscal 2022.

## 6.2 Property, plant and equipment, right-of-use assets, intangible assets, and goodwill

<i>(in \$ millions)</i>	Property, plant and equipment	Right-of-use assets	Intangible assets	Goodwill
Balance, January 1, 2023	1,115.2	78.0	230.0	271.7
Additions	65.7	4.2	0.8	—
Depreciation and amortization	(24.6)	(3.3)	(3.5)	—
Net carrying amounts of disposals	(13.0)	—	—	—
<b>Balance, April 2, 2023</b>	<b>1,143.3</b>	<b>78.9</b>	<b>227.3</b>	<b>271.7</b>

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

- Additions in property, plant and equipment are mainly due to expenditures related to the expansion of textile and sewing manufacturing operations, as well as modernization of the yarn facilities acquired through the December 2021 acquisition of Frontier Yarns. Disposals are mainly due to the sale and leaseback of one of our U.S. distributor facilities.
- The increase in right-of-use assets mainly reflects the distribution facility lease entered into, as part of the sale and leaseback agreement, during the three months ended April 2, 2023, partially offset by impact of depreciation.
- Intangible assets are comprised of customer contracts and relationships, trademarks, license agreements, non-compete agreements, and computer software. The decrease in intangible assets mainly reflects the amortization of \$4 million.

## 6.3 Other non-current assets and non-current liabilities

<i>(in \$ millions)</i>	<b>Apr 2, 2023</b>	Jan 1, 2023	Variation
Deferred income tax assets	<b>8.6</b>	16.0	(7.4)
Other non-current assets	<b>9.1</b>	2.5	6.6
Long-term debt	<b>(980.0)</b>	(780.0)	(200.0)
Lease obligations	<b>(82.1)</b>	(80.2)	(1.9)
Other non-current liabilities	<b>(52.8)</b>	(56.2)	3.4

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

- See section 8.0 of this MD&A entitled "Liquidity and capital resources" for the discussion on long-term debt.
- The decrease in deferred income tax assets is mainly due to the income tax expense recognized on the sale and leaseback of one of our U.S. distribution facilities.
- The increase in lease obligations mainly reflects the impact of manufacturing and distribution facility lease renewals entered into during the three months ended April 2, 2023, as well as the lease obligation resulting from the sale and leaseback on one of our U.S. distribution facilities, partially offset by the impact of payments made during the quarter including a payment to terminate a lease relating to a former yarn facility.
- Other non-current liabilities include provisions and employee benefit obligations.

## 7.0 CASH FLOWS

### 7.1 Cash flows from (used in) operating activities

(in \$ millions)	Three months ended		
	Apr 2, 2023	Apr 3, 2022	Variation
Net earnings	97.6	146.4	(48.8)
Adjustments for:			
Depreciation and amortization	27.9	33.5	(5.6)
Timing differences between settlement of financial derivatives and transfer of deferred gains and losses in accumulated OCI to inventory and net earnings	5.8	1.3	4.5
(Gain) Loss on disposal of property, plant and equipment, including insurance recoveries	(25.0)	(2.4)	(22.6)
Deferred income taxes	7.4	4.0	3.4
Share-based compensation	8.0	7.4	0.6
Other	(10.6)	(5.3)	(5.3)
Changes in non-cash working capital balances	(290.6)	(236.3)	(54.3)
Cash flows from (used in) operating activities	(179.5)	(51.4)	(128.1)

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

- Cash flows used in operating activities were \$180 million for the three months ended April 2, 2023, compared to cash flows used in operating activities of \$51 million in the corresponding period last year. Operating cash flows for the first quarter of fiscal 2023 reflected lower net earnings and a higher increase in non-cash working capital relative to the comparative period.
- Non-cash working capital increased by \$291 million during the three months ended April 2, 2023, compared to an increase of \$236 million during the three months ended April 3, 2022, mainly due to a higher decrease in accounts payable and accrued liabilities, as well as a higher increase in trade accounts receivable, partially offset by a lower increase in inventories.

## 7.2 Cash flows from (used in) investing activities

(in \$ millions)	Three months ended		
	Apr 2, 2023	Apr 3, 2022	Variation
Purchase of property, plant and equipment	(73.0)	(32.1)	(40.9)
Purchase of intangible assets	(0.9)	(1.9)	1.0
Proceeds from sale and leaseback and other disposals of property, plant and equipment	51.0	—	51.0
Cash flows from (used in) investing activities	(22.9)	(34.0)	11.1

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

- Cash flows used in investing activities were \$23 million for the three months ended April 2, 2023, compared to cash flows used in investing activities of \$34 million in the corresponding period last year. The change was mainly due to proceeds from the sale and leaseback of one of our distribution centres located in the U.S., partially offset by higher capital expenditures.
- Capital expenditures<sup>2</sup> for the three months ended April 2, 2023 are described in section 6.2 of this MD&A entitled "Property, plant and equipment, right-of-use assets, intangible assets, and goodwill".

## 7.3 Free cash flow

(in \$ millions)	Three months ended		
	Apr 2, 2023	Apr 3, 2022	Variation
Cash flows from (used in) operating activities	(179.4)	(51.5)	(127.9)
Cash flows from (used in) investing activities	(22.8)	(34.0)	11.2
Adjustment for:			
Business (dispositions) acquisitions	—	—	—
Free cash flow <sup>(1)</sup>	(202.2)	(85.5)	(116.7)

(1) This is a non-GAAP financial measure or ratio. See section 15.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

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

- The year-over-year increase in negative free cash flow of \$117 million for the three months ended April 2, 2023 was mainly due to the lower operating cash flows of \$128 million, as well as higher capital expenditures compared to the same period last year of \$39 million, partly offset by proceeds from the sale and leaseback of a distribution centre located in the U.S.

<sup>2</sup> Capital expenditures include purchases of property, plant & equipment and intangible assets.

## 7.4 Cash flows from (used in) financing activities

(in \$ millions)	Three months ended		
	Apr 2, 2023	Apr 3, 2022	Variation
Increase in amounts drawn under revolving long-term bank credit facility	200.0	245.0	(45.0)
Payment of lease obligations	(13.0)	(4.6)	(8.4)
Proceeds from the issuance of shares	5.1	1.3	3.8
Repurchase and cancellation of shares	(32.0)	(204.7)	172.7
Share repurchases for settlement of non-Treasury RSUs	(19.6)	(5.7)	(13.9)
Withholding taxes paid pursuant to the settlement of non-Treasury RSUs	(15.2)	(4.1)	(11.1)
Cash flows from (used in) financing activities	125.3	27.2	98.1

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

- Cash flows from financing activities for the three months ended April 2, 2023 were mainly from funds drawn on our long-term bank credit facilities, partially offset by funds used for the repurchase and cancellation of common shares under the NCIB programs as discussed in section 8.7 of this MD&A, funds used for the settlement of the stock-based awards vesting during the quarter, and payments made during the period on lease obligations.

## 8.0 LIQUIDITY AND CAPITAL RESOURCES

### 8.1 Capital allocation framework

Historically, our primary uses of funds have been for working capital requirements, capital expenditures, business acquisitions, and the payment of dividends and share repurchases, which we have funded with cash generated from operations and with funds drawn from our long-term debt facilities. We have established a capital allocation framework intended to enhance sales and earnings growth as well as shareholder returns. After funding working capital needs, our first priority of cash use is to fund our organic growth with the required capital investments. Beyond these requirements, our next priorities for capital allocation are to support our dividends and for opportunistic complementary acquisitions with a preference towards opportunities that could enhance our supply chain model. In addition, we have used excess cash to repurchase shares under normal course issuer bid programs.

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, which we believe will provide an efficient capital structure and a framework within which we can execute on our capital allocation priorities. 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 to fund our organic growth strategy, including anticipated working capital and projected capital expenditures averaging 6% to 8% of annual sales, as well as returning capital to shareholders through dividends and continued share repurchases in line with our leverage framework and value considerations. Refer to note 26 of the audited annual consolidated financial statements for the year ended January 1, 2023 for a discussion on the Company's liquidity risk.

## 8.2 Long-term debt and net debt

The Company's long-term debt as at April 2, 2023 is described below:

	Effective interest rate <sup>(1)</sup>	Principal amount		Maturity date
		Apr 2, 2023	Jan 1, 2023	
(in \$ millions, or otherwise indicated)				
Non-current portion of long-term debt				
Revolving long-term bank credit facility, interest at variable U.S. interest rate <sup>(2)(3)</sup>	5.8%	530.0	330.0	March 2027
Term loan, interest at variable U.S. interest rate, payable monthly <sup>(2)(4)</sup>	4.6%	300.0	300.0	June 2026
Notes payable, interest at fixed rate of 2.91%, payable semi-annually <sup>(5)</sup>	2.9%	100.0	100.0	August 2026
Notes payable, interest at Adjusted LIBOR plus a spread of 1.57%, payable quarterly <sup>(5)(6)</sup>	2.9%	50.0	50.0	August 2026
		980.0	780.0	
Current portion of long-term debt				
Notes payable, interest at fixed rate of 2.70%, payable semi-annually <sup>(5)</sup>	2.7%	100.0	100.0	August 2023
Notes payable, interest at Adjusted LIBOR plus a spread of 1.53%, payable quarterly <sup>(5)(6)</sup>	2.7%	50.0	50.0	August 2023
		150.0	150.0	
Long-term debt (including current portion)		1,130.0	930.0	

- (1) Represents the annualized effective interest rate for the three months ended April 2, 2023, including the cash impact of interest rate swaps, where applicable.
- (2) SOFR advances at adjusted Term SOFR (includes a 0% to 0.25% reference rate adjustment) plus a spread ranging from 1% to 3%.
- (3) 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 adjusted Term SOFR is a function of the total net debt to EBITDA ratio (as defined in the credit facility agreement and its amendments). In addition, an amount of \$38.2 million (January 1, 2023 - \$43.9 million) has been committed against this facility to cover various letters of credit.
- (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 adjusted Term SOFR is a function of the total net debt to EBITDA ratio (as defined in the term loan agreements and their amendments).
- (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.
- (6) Adjusted LIBOR rate is determined on the basis of floating rate notes that bear interest at a floating rate plus a spread of 1.53%.

On March 25, 2022, the Company amended and extended its unsecured revolving long-term bank credit facility of \$1 billion to March 2027. As part of the amendment, LIBOR references were replaced with Term Secured Overnight Financing Rate ("Term SOFR") and the revolving facility includes a sustainability-linked loan ("SLL") structure, whereby its applicable margins are adjusted upon achievement of certain sustainability targets, which commenced in 2023.

On March 25, 2022, the Company amended its \$300 million term loan to replace LIBOR references by Term SOFR references.

On June 30, 2022, the Company amended its notes purchase agreement to include LIBOR fallback provisions to replace LIBOR with adjusted term SOFR, adjusted daily simple SOFR or any relevant alternate rate selected by the note holders and the Company upon a benchmark transition event or early opt-in election.

The Company applied the IFRS 9 interest rate benchmark reform practical expedient for amendments required by the interest rate reform to the revolving-long term bank credit facility, term loan and related interest rate swap agreements.



The Company was in compliance with all financial covenants at April 2, 2023 and expects to maintain compliance with its covenants over the next twelve months, based on its current expectations and forecasts.

<i>(in \$ millions)</i>	<b>Apr 2, 2023</b>	<b>Jan 1, 2023</b>
Long-term debt (including current portion)	<b>1,130.0</b>	930.0
Bank indebtedness	—	—
Lease obligations (including current portion)	<b>97.5</b>	94.0
Total debt <sup>(1)</sup>	<b>1,227.5</b>	1,024.0
Cash and cash equivalents	<b>(73.8)</b>	(150.4)
Net debt <sup>(1)</sup>	<b>1,153.7</b>	873.6

(1) This is a non-GAAP financial measure or ratio. See section 15.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

Certain minor rounding variances exist between the unaudited condensed interim 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 15.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A. Gildan's net debt leverage ratio as at April 2, 2023 was 1.6 times (1.1 times at January 1, 2023). The Company's net debt leverage ratio is calculated as follows:

<i>(in \$ millions, or otherwise indicated)</i>	<b>Apr 2, 2023</b>	<b>Jan 1, 2023</b>
Adjusted EBITDA for the trailing twelve months <sup>(1)</sup>	<b>702.9</b>	764.2
Adjustment for:		
Business (dispositions) acquisitions	—	—
Pro-forma adjusted EBITDA for the trailing twelve months	<b>702.9</b>	764.2
Net debt <sup>(1)</sup>	<b>1,153.7</b>	873.6
Net debt leverage ratio <sup>(1)(2)</sup>	<b>1.6</b>	1.1

(1) This is a non-GAAP financial measure or ratio. See section 15.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

(2) The Company's net debt to EBITDA ratio for purposes of its loan and note agreements was 1.8 at April 2, 2023.

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

The total net debt to EBITDA ratios (as defined in the credit facility agreement and its amendments) vary from the definition of the Company's non-GAAP ratio and non-GAAP financial measures "net debt leverage ratio" and "adjusted EBITDA" respectively, as presented in this MD&A in certain respects. The definitions in the loan and note agreements are based on accounting for all leases in accordance with previous accounting principles whereby the Company's leases for premises were accounted for as operating leases, while the Company's reported net debt leverage ratio reflects lease accounting in accordance with the Company's current accounting policies. In addition, adjustments permitted to EBITDA in the loan and note agreements vary from the adjustments used by the Company in calculating its adjusted EBITDA non-GAAP financial measure. As a result of these differences, our total net debt to EBITDA ratio for purposes of our loan and note agreements was 1.8 at the end of the first quarter of fiscal 2023 (1.3 at January 1, 2023).

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.

### 8.3 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. The following table sets forth the maturity of our contractual obligations by period as at April 2, 2023.

<i>(in \$ millions)</i>	<b>Carrying amount</b>	Contractual cash flows	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Accounts payable and accrued liabilities	<b>408.4</b>	408.4	408.4	—	—	—
Long-term debt	<b>1,130.0</b>	1,130.0	150.0	—	980.0	—
Interest obligations <sup>(1)</sup>	—	197.6	52.5	106.1	39.0	—
Purchase and other obligations <sup>(2)</sup>	—	596.9	322.2	156.5	86.3	31.9
Lease obligations	<b>97.5</b>	117.6	20.0	33.6	26.9	37.1
<b>Total contractual obligations</b>	<b>1,635.9</b>	2,450.5	953.1	296.2	1,132.2	69.0

(1) Interest obligations include expected interest payments on long-term debt as at April 2, 2023 (assuming balances remain outstanding through to maturity). For variable rate debt, the Company has applied the rate applicable at April 2, 2023 to the currently established maturity dates.

(2) Purchase and other obligations includes commitments to purchase raw materials and equipment, as well as minimum royalty obligations and other contractual commitments.

As disclosed in note 24 to our fiscal 2022 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 our subsidiaries do not perform their contractual obligations. As at April 2, 2023, the maximum potential liability under these guarantees was \$120 million, of which \$19 million was for surety bonds and \$101 million was for financial guarantees and standby letters of credit.

### 8.4 Derivative instruments

The Company may periodically use derivative financial instruments to manage risks related to fluctuations in foreign exchange rates, commodity prices, interest rates, and changes in the price of our common shares under our share-based compensation plans. Derivative financial instruments are not used for speculative purposes. As at April 2, 2023, the Company's outstanding derivative financial instruments (most of which are 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 Company's term loans and unsecured notes. The Company also has a total return swap outstanding that is intended to reduce the variability of net earnings associated with deferred share units, which are settled in cash. For more information about our derivative financial instruments, please refer to notes 9 and 10 to the unaudited condensed interim consolidated financial statements as at and for the three months ended April 2, 2023.

### 8.5 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 April 28, 2023, there were 178,247,867 common shares issued and outstanding along with 2,541,773 stock options and 73,032 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. Treasury RSUs are used exclusively for one-time awards to attract candidates or for retention purposes and their vesting conditions, including any performance objectives, are determined by the Board of Directors at the time of grant.

## 8.6 Declaration of dividend

On May 3, 2023, the Board of Directors declared a cash dividend of \$0.186 per share for an expected aggregate payment of \$33 million which will be paid on June 19, 2023 on all of the issued and outstanding common shares of the Company, rateably and proportionately, to the holders of record on May 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.

As part of the Company's capital allocation framework as described in section 8.1 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 for working capital requirements, capital expenditures, debt repayment obligations, capital requirements, the macro-economic environment, and present and/or future regulatory and legal restrictions. The Company's dividend payout policy and the declaration of dividends are subject to the discretion of the Board of Directors and, consequently, there can be no assurances that Gildan's dividend policy will be maintained or that dividends will be declared in respect of any quarter or other future periods. The declaration of dividends by the Board of Directors is ultimately dependent on the Company's operations and financial results which are, in turn, subject to various assumptions and risks, including those set out in this MD&A.

## 8.7 Normal course issuer bid (NCIB)

On February 22, 2022, the Company received approval from the Toronto Stock Exchange (TSX) to amend its then current NCIB, which commenced on August 9, 2021, in order to increase the maximum number of common shares that may be repurchased from 9,926,177, or 5% of the Company's issued and outstanding common shares as at July 31, 2021, to 19,477,744 common shares, representing 10% of the public float as at such date.

In August 2022, the Company received approval from the TSX to renew its NCIB program commencing on August 9, 2022, to purchase for cancellation a maximum of 9,132,337 common shares, representing 5% of the Company's issued and outstanding common shares, as at July 31, 2022 (the reference date for the NCIB). Under the NCIB, the Company is authorized to make purchases under the normal course issuer bid during the period from August 9, 2022 to August 8, 2023 in accordance with the requirements of the TSX. Purchases can 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.

During the three months ended April 2, 2023, the Company repurchased for cancellation a total of 1,000,000 common shares under its NCIB program for a total cost of \$32 million, of which \$1 million was charged to share capital and the balance was charged to retained earnings.

## 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 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 under our share-based compensation plans. Please refer to note 26 of the audited annual consolidated financial statements for the year ended January 1, 2023 for additional details, and for more information about our derivative financial instruments, please refer to notes 9 and 10 to the unaudited condensed interim consolidated financial statements as at and for the three months ended April 2, 2023.

## 11.0 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Our significant accounting policies are described in note 3 to our fiscal 2022 audited 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.

### 11.1 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)
- Income taxes

### 11.2 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 remainder of the fiscal year are as follows:

- Inventory valuation
- Recoverability and impairment of non-financial assets

For a more detailed discussion on these areas requiring the use of management estimates and judgments, please refer to note 3 to our fiscal 2022 audited consolidated financial statements.

## 12.0 ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET APPLIED

### 12.1 Accounting policies

The Company's unaudited condensed interim consolidated financial statements as at and for the three months ended April 2, 2023 were prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The Company applied the same accounting policies in the preparation of the unaudited condensed interim consolidated financial statements as at and for the three months ended April 2, 2023 as those disclosed in note 3 of its most recent audited annual consolidated financial statements, except for the adoption of new standards effective as of January 2, 2023 as described below.

#### Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policy Information

In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose "significant" accounting policies under IAS 1 with a requirement to disclose "material" accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements.
- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments shall be applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once an entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The Company will update accounting policy information disclosures in our annual consolidated financial statements for the year ended December 31, 2023.

**Amendments to IAS 8, Definition of Accounting Estimates**

In February 2021, the IASB amended IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition of "accounting estimates" to replace the definition of "change in accounting estimates" and also include clarifications intended to help entities distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The amendment of IAS 8 had no impact on the Company's consolidated financial statements.

**Amendments to IAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction**

On May 7, 2021, the IASB amended IAS 12 Income Taxes, to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2023. The amendment of IAS 12 did not have a material impact on the Company's consolidated financial statements. The changes will be reflected in our Income taxes note disclosure to the annual consolidated financial statements for the year ended December 31, 2023.

**12.2 New accounting standards and interpretations not yet applied****Amendments to IAS 1, Presentation of Financial Statements**

On January 23, 2020, the IASB issued narrow-scope amendments to IAS 1, Presentation of Financial Statements, to clarify how to classify debt and other liabilities as current or non-current. The amendments (which affect only the presentation of liabilities in the statement of financial position) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services. The 2020 amendments and the 2022 amendments (collectively "the Amendments") are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

**13.0 INTERNAL CONTROL OVER FINANCIAL REPORTING****Changes in internal controls and procedures**

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 2, 2023 and ended on April 2, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**14.0 RISK AND UNCERTAINTIES**

In note 26 of our 2022 audited annual consolidated financial statements we describe certain risks related to financial instruments and in our 2022 annual MD&A under the section "Risk and uncertainties", we describe the principal risks that could have a material and adverse effect on our financial condition, results of operations or business, cash flows, or the trading price of our common shares, as well as cause actual results to differ materially from our expectations expressed in or implied by our forward-looking statements. The risks listed below are not the only risks that could affect the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our financial condition, results of operations, cash flows, or business. The risks described in our 2022 Annual MD&A include:

- Our ability to implement our growth strategies and plans
- Our ability to compete effectively
- Our ability to integrate acquisitions
- We may be negatively impacted by changes in general economic and financial conditions
- We rely on a small number of significant customers
- Our customers do not commit to purchase minimum quantities
- 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

- We may be negatively impacted by fluctuations and volatility in the price of raw materials used to manufacture our products
- We rely on key suppliers
- We may be negatively impacted by climate, political, social, and economic risks, natural disasters, pandemics, and endemics in the countries in which we operate or from which we source production
- Compliance with laws and regulations in the various countries in which we operate and the potential negative effects of litigation and/or regulatory actions
- We rely on certain international trade (including multilateral and bilateral) agreements and preference programs and are subject to evolving international trade regulations
- Factors or circumstances that could increase our effective income tax rate
- Compliance with environmental and health and safety regulations
- Global climate change could have an adverse impact on our business
- Compliance with product safety regulations
- We may be negatively impacted by changes in our relationship with our employees or changes to domestic and foreign employment regulations
- 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 may be negatively impacted by changes in third-party licensing arrangements and licensed brands
- Our ability to protect our intellectual property rights
- We rely significantly on our information systems for our business operations
- We may be negatively impacted by data security breaches or data privacy violations
- We depend on key management and our ability to attract and/or retain key personnel

## 15.0 DEFINITION AND RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

We use non-GAAP financial measures, as well as non-GAAP ratios, 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 financial measures are presented on a consistent basis for all periods presented in this MD&A. 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. Accordingly, they should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

### Non-GAAP financial measures and related ratios

In this MD&A we use non-GAAP financial measures including adjusted net earnings, adjusted operating income, adjusted gross profit, adjusted EBITDA, as well as non-GAAP ratios including adjusted diluted EPS, adjusted operating margin, and adjusted gross margin. These financial metrics are used 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 performance and financial condition. Excluding these items does not imply they are necessarily non-recurring. We also use other non-GAAP financial measures including free cash flow, total debt, net debt, net debt leverage ratio and working capital.

### 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 months ended April 2, 2023 restructuring and acquisition-related costs of \$3 million (2022 - \$3 million recovery) were recognized. Subsection 5.4.6 entitled "Restructuring and acquisition-related costs (recovery)" in this MD&A contains 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 and charges related to this initiative were nil for the three months ended April 2, 2023, and \$1 million of gains for the three months ended April 3, 2022, which were included in cost of sales.

*Net insurance gains*

For the three months ended April 2, 2023, net insurance gains were \$3.3 million (2022 - \$0.3 million), related to the two hurricanes which impacted the Company's operations in Central America in November 2020. Net insurance gains primarily relate to accrued insurance recoveries at replacement cost value for damaged equipment in excess of the write-off of the net book value of property plant and equipment, as well as the recognition of insurance recoveries for business interruption, when applicable. Net insurance gains are 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.

**Adjusted net earnings and adjusted diluted EPS**

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.



	Three months ended	
	Apr 2, 2023	Apr 3, 2022
<i>(in \$ millions, except per share amounts)</i>		
Net earnings	97.6	146.4
Adjustments for:		
Restructuring and acquisition-related costs (recovery)	2.8	(2.8)
Impact of strategic product line initiatives	—	(1.0)
Net insurance gains	(3.3)	(0.3)
Gain on sale and leaseback	(25.0)	—
Income tax expense relating to the above-noted adjustments	9.5	2.0
Adjusted net earnings	81.6	144.3
Basic EPS	0.54	0.77
Diluted EPS	0.54	0.77
Adjusted diluted EPS <sup>(1)</sup>	0.45	0.76

(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.

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

#### 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.

	Three months ended	
	Apr 2, 2023	Apr 3, 2022
<i>(in \$ millions, or otherwise indicated)</i>		
Gross profit	187.7	240.4
Adjustments for:		
Impact of strategic product line initiatives	—	(1.0)
Net insurance gains	(3.3)	(0.3)
Adjusted gross profit	184.4	239.1
Gross margin	26.7 %	31.0 %
Adjusted gross margin <sup>(1)</sup>	26.2 %	30.9 %

(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.

Certain minor rounding variances exist between the unaudited condensed interim 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 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.

	Three months ended	
	Apr 2, 2023	Apr 3, 2022
<i>(in \$ millions, or otherwise indicated)</i>		
Operating income	128.0	162.2
Adjustments for:		
Restructuring and acquisition-related costs (recovery)	2.8	(2.8)
Impact of strategic product line initiatives	—	(1.0)
Net insurance gains	(3.3)	(0.3)
Gain on sale and leaseback	(25.0)	—
Adjusted operating income	102.5	158.1
Operating margin	18.2 %	20.9 %
Adjusted operating margin <sup>(1)</sup>	14.6 %	20.4 %

(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. Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

### 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)	Three months ended	
	Apr 2, 2023	Apr 3, 2022
Net earnings	97.6	146.4
Restructuring and acquisition-related costs (recovery)	2.8	(2.8)
Impact of strategic product line initiatives	—	(1.0)
Net insurance gains	(3.3)	(0.3)
Gain on sale and leaseback	(25.0)	—
Depreciation and amortization	27.9	33.5
Financial expenses, net	17.0	7.0
Income tax expense	13.4	8.8
Adjusted EBITDA	130.4	191.6

Certain minor rounding variances exist between the unaudited condensed interim 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 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)	Three months ended	
	Apr 2, 2023	Apr 3, 2022
Cash flows used in operating activities	(179.4)	(51.5)
Cash flows used in investing activities	(22.8)	(34.0)
Adjustment for:		
Business (dispositions) acquisitions	—	—
Free cash flow	(202.2)	(85.5)

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

### 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.

<i>(in \$ millions)</i>	<b>Apr 2, 2023</b>	<b>Jan 1, 2023</b>
Long-term debt (including current portion)	<b>1,130.0</b>	930.0
Bank indebtedness	—	—
Lease obligations (including current portion)	<b>97.5</b>	94.0
Total debt	<b>1,227.5</b>	1,024.0
Cash and cash equivalents	<b>(73.8)</b>	(150.4)
Net debt	<b>1,153.7</b>	873.6

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

### 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.

<i>(in \$ millions, or otherwise indicated)</i>	<b>Apr 2, 2023</b>	<b>Jan 1, 2023</b>
Adjusted EBITDA for the trailing twelve months	<b>702.9</b>	764.2
Adjustment for:		
Business (dispositions) acquisitions	—	—
Pro-forma adjusted EBITDA for the trailing twelve months	<b>702.9</b>	764.2
Net debt	<b>1,153.7</b>	873.6
Net debt leverage ratio <sup>(1)</sup>	<b>1.6</b>	1.1

(1) The Company's total net debt to EBITDA ratio for purposes of its loan and note agreements was 1.8 at April 2, 2023. Refer to section 8.2 of this MD&A.

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

### Working capital

Working capital is a non-GAAP financial measure and is defined as current assets less current liabilities. Management believes that working capital, in addition to other conventional financial measures prepared in accordance with IFRS, provides information that is helpful to understand the financial condition of the Company. The objective of using working capital is to present readers with a view of the Company from management's perspective by interpreting the material trends and activities that affect the short-term liquidity and financial position of the Company, including its ability to discharge its short-term liabilities as they come due. This measure is not necessarily comparable to similarly titled measures used by other public companies.

<i>(in \$ millions)</i>	<b>Apr 2, 2023</b>	<b>Jan 1, 2023</b>
Cash and cash equivalents	<b>73.8</b>	150.4
Trade accounts receivable	<b>399.1</b>	248.8
Inventories	<b>1,314.8</b>	1,225.9
Prepaid expenses, deposits and other current assets	<b>102.4</b>	101.8
Accounts payable and accrued liabilities	<b>(408.4)</b>	(471.2)
Income taxes payable	<b>(6.9)</b>	(6.6)
Current portion of lease obligations	<b>(15.4)</b>	(13.8)
Current portion of long-term debt	<b>(150.0)</b>	(150.0)
Dividends payable	<b>(33.6)</b>	—
<b>Working capital</b>	<b>1,275.8</b>	1,085.3

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

**GILDAN ACTIVEWEAR INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(in thousands of U.S. dollars) - unaudited

	April 2, 2023	January 1, 2023
Current assets:		
Cash and cash equivalents	\$ 73,837	\$ 150,417
Trade accounts receivable (note 4)	399,123	248,785
Inventories (note 5)	1,314,769	1,225,940
Prepaid expenses, deposits and other current assets	102,420	101,810
Total current assets	1,890,149	1,726,952
Non-current assets:		
Property, plant and equipment	1,143,319	1,115,169
Right-of-use assets	78,916	77,958
Intangible assets	227,319	229,951
Goodwill	271,677	271,677
Deferred income taxes	8,611	16,000
Other non-current assets	9,148	2,507
Total non-current assets	1,738,990	1,713,262
Total assets	\$ 3,629,139	\$ 3,440,214
Current liabilities:		
Accounts payable and accrued liabilities	\$ 408,377	\$ 471,208
Income taxes payable	6,871	6,637
Current portion of lease obligations (note 8(d))	15,405	13,828
Dividends payable	33,601	—
Current portion of long-term debt (note 6)	150,000	150,000
Total current liabilities	614,254	641,673
Non-current liabilities:		
Long-term debt (note 6)	980,000	780,000
Lease obligations (note 8(d))	82,101	80,162
Other non-current liabilities	52,846	56,217
Total non-current liabilities	1,114,947	916,379
Total liabilities	1,729,201	1,558,052
Equity:		
Share capital	220,987	202,329
Contributed surplus	59,139	79,489
Retained earnings	1,604,657	1,590,499
Accumulated other comprehensive income (note 10)	15,155	9,845
Total equity attributable to shareholders of the Company	1,899,938	1,882,162
Total liabilities and equity	\$ 3,629,139	\$ 3,440,214

See accompanying notes to unaudited condensed interim consolidated financial statements.

**GILDAN ACTIVEWEAR INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS**  
**AND COMPREHENSIVE INCOME**  
(in thousands of U.S. dollars, except per share data) - unaudited

	Three months ended	
	April 2, 2023	April 3, 2022
Net sales (note 14)	\$ 702,863	\$ 774,871
Cost of sales (note 8(e))	515,200	534,438
Gross profit	187,663	240,433
Selling, general and administrative expenses <sup>(1)</sup>	81,845	81,009
Gain on sale and leaseback (note 8(f))	(25,010)	—
Restructuring and acquisition-related costs (recovery) (note 7)	2,835	(2,794)
Operating income	127,993	162,218
Financial expenses, net (note 8(b))	16,952	7,014
Earnings before income taxes	111,041	155,204
Income tax expense	13,424	8,841
Net earnings	97,617	146,363
Other comprehensive income (loss), net of related income taxes (note 10):		
Cash flow hedges	5,310	23,186
Comprehensive income	\$ 102,927	\$ 169,549
Earnings per share (note 11):		
Basic	\$ 0.54	\$ 0.77
Diluted	\$ 0.54	\$ 0.77

(1) The Company recasted comparative figures to conform to the current period's presentation by grouping Impairment (reversal of impairment) of trade accounts receivable in Selling, general and administrative expenses. Refer to note 4 for the Q1 2023 reversal of impairment of trade accounts receivable.

See accompanying notes to unaudited condensed interim consolidated financial statements.



**GILDAN ACTIVEWEAR INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**Three months ended April 2, 2023 and April 3, 2022**  
**(in thousands or thousands of U.S. dollars) - unaudited**

	Share capital		Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
	Number	Amount				
Balance, January 1, 2023	179,709	\$ 202,329	\$ 79,489	\$ 9,845	\$1,590,499	\$1,882,162
Share-based compensation	—	—	7,994	—	—	7,994
Shares issued under employee share purchase plan	12	360	—	—	—	360
Shares issued pursuant to exercise of stock options	193	5,549	(750)	—	—	4,799
Shares issued or distributed pursuant to vesting of restricted share units	648	14,429	(29,669)	—	—	(15,240)
Shares repurchased for cancellation	(1,000)	(1,130)	—	—	(30,888)	(32,018)
Share repurchases for settlement of non-Treasury RSUs	(648)	(550)	—	—	(19,005)	(19,555)
Deferred compensation to be settled in non-Treasury RSUs	—	—	2,075	—	—	2,075
Dividends declared	—	—	—	—	(33,566)	(33,566)
Transactions with shareholders of the Company recognized directly in equity	(795)	18,658	(20,350)	—	(83,459)	(85,151)
Cash flow hedges (note 10)	—	—	—	5,310	—	5,310
Net earnings	—	—	—	—	97,617	97,617
Comprehensive income	—	—	—	5,310	97,617	102,927
<b>Balance, April 2, 2023</b>	<b>178,914</b>	<b>\$ 220,987</b>	<b>\$ 59,139</b>	<b>\$ 15,155</b>	<b>\$1,604,657</b>	<b>\$1,899,938</b>
Balance, January 2, 2022	192,267	\$ 191,732	\$ 58,128	\$ 64,809	\$1,604,736	\$1,919,405
Share-based compensation	—	—	7,387	—	—	7,387
Shares issued under employee share purchase plan	9	331	—	—	—	331
Shares issued pursuant to exercise of stock options	43	1,343	(327)	—	—	1,016
Shares issued or distributed pursuant to vesting of restricted share units	150	4,255	(8,319)	—	—	(4,064)
Shares repurchased for cancellation	(5,135)	(5,133)	—	—	(196,104)	(201,237)
Share repurchases for settlement of non-Treasury RSUs	(148)	(116)	—	—	(5,593)	(5,709)
Deferred compensation to be settled in non-Treasury RSUs	—	—	2,110	—	—	2,110
Dividends declared	—	—	—	—	(31,451)	(31,451)
Transactions with shareholders of the Company recognized directly in equity	(5,081)	680	851	—	(233,148)	(231,617)
Cash flow hedges (note 10)	—	—	—	23,186	—	23,186
Net earnings	—	—	—	—	146,363	146,363
Comprehensive income	—	—	—	23,186	146,363	169,549
<b>Balance, April 3, 2022</b>	<b>187,186</b>	<b>\$ 192,412</b>	<b>\$ 58,979</b>	<b>\$ 87,995</b>	<b>\$1,517,951</b>	<b>\$1,857,337</b>

See accompanying notes to unaudited condensed interim consolidated financial statements.

**GILDAN ACTIVEWEAR INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands of U.S. dollars) - unaudited

	Three months ended	
	April 2, 2023	April 3, 2022
Cash flows from (used in) operating activities:		
Net earnings	\$ 97,617	\$ 146,363
Adjustments for:		
Depreciation and amortization (note 8(a))	27,936	33,456
Timing differences between settlement of financial derivatives and transfer of deferred gains or losses in accumulated OCI to inventory and net earnings	5,817	1,279
(Gain) Loss on disposal of property, plant and equipment, including insurance recoveries	(25,033)	(2,365)
Share-based compensation	8,030	7,420
Deferred income taxes	7,394	4,000
Other (note 12(a))	(10,589)	(5,307)
Changes in non-cash working capital balances (note 12(c))	(290,589)	(236,311)
Cash flows from (used in) operating activities	(179,417)	(51,465)
Cash flows from (used in) investing activities:		
Purchase of property, plant and equipment	(72,957)	(32,081)
Purchase of intangible assets	(899)	(1,909)
Proceeds from sale and leaseback and other disposals of property, plant and equipment	51,021	(2)
Cash flows from (used in) investing activities	(22,835)	(33,992)
Cash flows from (used in) financing activities:		
Increase in amounts drawn under long-term bank credit facility	200,000	245,000
Payment of lease obligations	(12,995)	(4,632)
Proceeds from the issuance of shares	5,123	1,314
Repurchase and cancellation of shares	(32,018)	(204,653)
Share repurchases for settlement of non-Treasury RSUs	(19,555)	(5,709)
Withholding taxes paid pursuant to the settlement of non-Treasury RSUs	(15,240)	(4,064)
Cash flows from (used in) financing activities	125,315	27,256
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	357	530
(Decrease) Increase in cash and cash equivalents during the period	(76,580)	(57,671)
Cash and cash equivalents, beginning of period	150,417	179,246
Cash and cash equivalents, end of period	\$ 73,837	\$ 121,575
Cash paid during the period (included in cash flows from (used in) operating activities):		
Interest	\$ 14,259	\$ 6,110
Income taxes, net of refunds	6,095	1,577

Supplemental disclosure of cash flow information (note 12).

See accompanying notes to unaudited condensed interim consolidated financial statements.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the period ended April 2, 2023

(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, hosiery, 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 unaudited condensed interim consolidated financial statements are as at and for the three months ended April 2, 2023 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's fiscal 2022 audited consolidated financial statements. The Company applied the same accounting policies in the preparation of these unaudited condensed interim consolidated financial statements as those disclosed in note 3 of its most recent annual consolidated financial statements, except for the adoption of new standards effective as of January 2, 2023 as described below in note 2(d).

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 3, 2023.

**(b) Seasonality of the business:**

The Company's net sales are subject to seasonal variations. Net sales have historically been higher during the second and third quarters.

**(c) Operating segments:**

The Company manages its business on the basis of one reportable operating segment.

**2. BASIS OF PREPARATION (CONTINUED):****(d) Initial application of new accounting standards and interpretations in the reporting period:**

On January 2, 2023, the Company adopted the following new or amended accounting standards:

*Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policy Information*

In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose “significant” accounting policies under IAS 1 with a requirement to disclose “material” accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements.
- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments shall be applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once an entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The Company will update accounting policy information disclosures in our annual consolidated financial statements for the year ended December 31, 2023.

*Amendments to IAS 8, Definition of Accounting Estimates*

In February 2021, the IASB amended IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition of “accounting estimates” to replace the definition of “change in accounting estimates” and also include clarifications intended to help entities distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The amendment of IAS 8 had no impact on the Company’s consolidated financial statements.

*Amendments to IAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

On May 7, 2021, the IASB amended IAS 12 Income Taxes, to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2023. The amendment of IAS 12 did not have a material impact on the Company’s consolidated financial statements. The changes will be reflected in our Income taxes note disclosure to the annual consolidated financial statements for the year ended December 31, 2023.

### 3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET APPLIED:

#### Amendments to IAS 1, Presentation of Financial Statements

On January 23, 2020, the IASB issued narrow-scope amendments to IAS 1, Presentation of Financial Statements, to clarify how to classify debt and other liabilities as current or non-current. The amendments (which affect only the presentation of liabilities in the statement of financial position) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services. The 2020 amendments and the 2022 amendments (collectively "the Amendments") are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

### 4. TRADE ACCOUNTS RECEIVABLE:

	April 2, 2023	January 1, 2023
Trade accounts receivable	\$ 411,854	\$ 264,179
Allowance for expected credit losses	(12,731)	(15,394)
	<b>\$ 399,123</b>	<b>\$ 248,785</b>

As at April 2, 2023, trade accounts receivables being serviced under a receivables purchase agreement amounted to \$218.0 million (January 1, 2023 - \$228.9 million). The receivables purchase agreement, which allows for the sale of a maximum of \$300 million of accounts receivables at any one time, expires on June 19, 2023, subject to annual extensions. The Company retains servicing responsibilities, including collection, for these trade receivables but has not retained any credit risk with respect to any trade receivables that have been sold. The difference between the carrying amount of the receivables sold under the agreement and the cash received at the time of transfer was \$4.1 million (2022 - \$0.4 million) for the three months ended April 2, 2023, and was recorded in bank and other financial charges.

The movement in the allowance for expected credit losses in respect of trade receivables was as follows:

	Three months ended	
	April 2, 2023	April 3, 2022
Allowance for expected credit losses, beginning of period	\$ (15,394)	\$ (13,704)
Reversal of impairment (Impairment) of trade accounts receivable	2,269	(496)
Write-off (Recoveries) of trade accounts receivable	394	(115)
Allowance for expected credit losses, end of period	<b>\$ (12,731)</b>	<b>\$ (14,315)</b>

## 5. INVENTORIES:

	April 2, 2023	January 1, 2023
Raw materials and spare parts inventories	\$ 228,453	\$ 251,700
Work in progress	80,734	77,726
Finished goods	1,005,582	896,514
	<b>\$ 1,314,769</b>	<b>\$ 1,225,940</b>

## 6. LONG-TERM DEBT:

	Effective interest rate <sup>(1)</sup>	Principal amount		Maturity date	
		April 2, 2023	January 1, 2023		
Non-current portion of long-term debt					
Revolving long-term bank credit facility, interest at variable U.S. interest rate <sup>(2)(3)</sup>	5.8%	\$ 530,000	\$ 330,000	March 2027	
Term loan, interest at variable U.S. interest rate, payable monthly <sup>(2)(4)</sup>	4.6%	300,000	300,000	June 2026	
Notes payable, interest at fixed rate of 2.91%, payable semi-annually <sup>(5)</sup>	2.9%	100,000	100,000	August 2026	
Notes payable, interest at Adjusted LIBOR plus a spread of 1.57%, payable quarterly <sup>(5)(6)</sup>	2.9%	50,000	50,000	August 2026	
	\$	980,000	\$ 780,000		
Current portion of long-term debt					
Notes payable, interest at fixed rate of 2.70%, payable semi-annually <sup>(5)</sup>	2.7%	100,000	100,000	August 2023	
Notes payable, interest at Adjusted LIBOR plus a spread of 1.53%, payable quarterly <sup>(5)(6)</sup>	2.7%	50,000	50,000	August 2023	
	\$	150,000	\$ 150,000		
Long-term debt	\$	1,130,000	\$ 930,000		

- (1) Represents the annualized effective interest rate for the three months ended April 2, 2023, including the cash impact of interest rate swaps, where applicable.
- (2) SOFR advances at adjusted Term SOFR (includes a 0% to 0.25% reference rate adjustment) plus a spread ranging from 1% to 3%.
- (3) 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 adjusted Term SOFR is a function of the total net debt to EBITDA ratio (as defined in the credit facility agreement and its amendments). In addition, an amount of \$38.2 million (January 1, 2023 - \$43.9 million) has been committed against this facility to cover various letters of credit.
- (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 adjusted Term SOFR is a function of the total net debt to EBITDA ratio (as defined in the term loan agreements and its amendments).
- (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.
- (6) Adjusted LIBOR rate is determined on the basis of floating rate notes that bear interest at a floating rate plus a spread of 1.53%.

On March 25, 2022, the Company amended and extended its unsecured revolving long-term bank credit facility of \$1 billion to March 2027. As part of the amendment, LIBOR references were replaced with Term Secured Overnight Financing Rate ("Term SOFR") and the revolving facility includes a sustainability-linked loan ("SLL") structure, whereby its applicable margins are adjusted upon achievement of certain sustainability targets, which commenced in 2023.

## 6. LONG-TERM DEBT (continued):

On March 25, 2022, the Company amended its \$300 million term loan to replace LIBOR references by Term SOFR references.

On June 30, 2022, the Company amended its notes purchase agreement to include LIBOR fallback provisions to replace LIBOR with adjusted term SOFR, adjusted daily simple SOFR or any relevant alternate rate selected by the note holders and the Company upon a benchmark transition event or early opt-in election.

The Company applied the IFRS 9 interest rate benchmark reform practical expedient for amendments required by the interest rate reform to the revolving-long term bank credit facility, term loan and related interest rate swap agreements. The Company and its counterparties under interest rate swap agreements are in the process of negotiating the substitution of reference rates in such agreements.

The Company was in compliance with all financial covenants at April 2, 2023 and expects to maintain compliance with its covenants over the next twelve months, based on its current expectations and forecasts.

## 7. RESTRUCTURING AND ACQUISITION-RELATED COSTS (RECOVERY):

	Three months ended	
	April 2, 2023	April 3, 2022
Employee termination and benefit costs	\$ 507	\$ 584
Exit, relocation and other costs	2,711	394
Net (gain) loss on disposal, write-downs, and accelerated depreciation of property, plant and equipment, right-of-use assets and computer software related to exit activities	(383)	(3,877)
Acquisition-related transaction costs	—	105
	<b>\$ 2,835</b>	<b>\$ (2,794)</b>

Restructuring and acquisition-related costs for the three months ended April 2, 2023 mainly related to the December 2022 closure of a yarn-spinning plant in the U.S., and the exit cost from terminating a lease on a previously closed yarn facility. Restructuring and acquisition-related recovery for the three months ended April 3, 2022 mainly related to a gain on the sale of a former manufacturing facility in Mexico.



## 8. OTHER INFORMATION:

### (a) Depreciation and amortization:

	Three months ended	
	April 2, 2023	April 3, 2022
Depreciation of property, plant and equipment	\$ 24,605	\$ 25,502
Depreciation of right-of-use assets	3,259	3,948
Adjustment for the variation of depreciation included in inventories at the beginning and end of the period	(3,402)	(838)
Amortization of intangible assets, excluding computer software	2,101	3,444
Amortization of computer software	1,373	1,400
Depreciation and amortization included in net earnings	\$ 27,936	\$ 33,456

Included in property, plant and equipment as at April 2, 2023 is \$174.2 million (January 1, 2023 - \$172.8 million) of buildings and equipment not yet available for use in operations. Included in intangible assets as at April 2, 2023 is \$2.3 million (January 1, 2023 - \$4.4 million) of software not yet available for use in operations. Depreciation and amortization on these assets commence when the assets are available for use.

As at April 2, 2023, the Company has approximately \$180.5 million in commitments to purchase property and equipment, mainly related to manufacturing capacity expansion projects.

### (b) Financial expenses, net:

	Three months ended	
	April 2, 2023	April 3, 2022
Interest expense on financial liabilities recorded at amortized cost <sup>(1)</sup>	\$ 11,406	\$ 3,775
Bank and other financial charges	5,276	1,787
Interest accretion on discounted lease obligations	703	788
Interest accretion on discounted provisions	52	51
Foreign exchange (gain) loss	(485)	613
	\$ 16,952	\$ 7,014

(1) Net of capitalized borrowing costs of \$1.0 million (2022 - \$0.3 million) for the three months ended April 2, 2023.

### (c) Related party transaction:

The Company incurred expenses for aircraft usage of \$0.2 million (2022 - \$0.9 million) for three months ended April 2, 2023, with a company controlled by the President and Chief Executive Officer of the Company. The payments made are in accordance with the terms of the agreement established and agreed to by the related parties. As at April 2, 2023, the amount in accounts payable and accrued liabilities related to the airplane usage was \$0.2 million (January 1, 2023 - \$0.1 million).

As at April 2, 2023, the Company has a commitment of \$1.2 million under this agreement, which relates to minimum usage fees for the remainder of fiscal 2023.

## 8. OTHER INFORMATION (continued):

### (d) Lease obligations:

The Company's leases are primarily for manufacturing, sales, distribution, and administrative facilities.

The following table presents lease obligations recorded in the statement of financial position:

	April 2, 2023	January 1, 2023
Current	\$ 15,405	\$ 13,828
Non-current	82,101	80,162
	<b>\$ 97,506</b>	<b>\$ 93,990</b>

The following table presents the future minimum lease payments under non-cancellable leases (including short-term leases) as at April 2, 2023:

	April 2, 2023
Less than one year	\$ 20,031
One to five years	60,553
More than five years	37,123
	<b>\$ 117,707</b>

For the three months ended April 2, 2023, the total cash outflow for recognized lease obligations (including interest) was \$13.7 million (2022 - \$5.4 million), of which \$13.0 million (2022 - \$4.6 million), was included as part of cash outflows used in financing activities. The increase in cash outflow is largely due to the termination of a lease related to a previously closed yarn spinning facility.

### (e) Cost of sales:

Included in cost of sales for the three months ended April 2, 2023 are the following items:

- Net insurance gains of \$3.3 million, related to the two hurricanes which occurred in Central America in November 2020. The insurance gains primarily relate to accrued insurance recoveries at replacement cost value for damaged equipment in excess of the write-off of the net book value of property plant and equipment.

Since November 2020, the Company has recognized \$251.1 million of accrued insurance recoveries, all of which has been received as an advance (\$50.0 million in Q4 2020, \$50.0 million in Q1 2021, \$50.0 million in Q2 2021, \$50.0 million in Q3 2021, \$35.3 million in Q4 2022 and \$15.8 million in Q1 2023).

The Company recognizes insurance recoveries for items that it has an unconditional contractual right to receive. Refer to note 15 for additional details.

Included in cost of sales for the three months ended April 3, 2022 are the following items:

- Net insurance gains of \$0.3 million for the three months ended April 3, 2022, related to the two hurricanes which occurred in Central America in November 2020. The insurance gains primarily relate to accrued insurance recoveries at replacement cost value for damaged equipment in excess of the write-off of the net book value of property plant and equipment.
- A gain of \$1.0 million related to the reversal of a reserve relating to Company's strategic initiatives to significantly reduce its product line stock-keeping unit (SKU) counts.

## 8. OTHER INFORMATION (continued):

### (f) Sale and leaseback

During the three months ended April 2, 2023, the Company entered into an agreement to sell and leaseback one of its distribution centers located in the U.S. The proceeds of disposition of \$51.0 million, which represent the fair value of the distribution center, were recognized in the Consolidated Statement of Cash Flows as proceeds from sale and leaseback and other disposals of property, plant and equipment within investing activities. The Company recognized a right-of-use asset of \$3.9 million and a lease obligation of \$15.5 million. In addition, a pre-tax gain on sale of \$25.0 million (\$15.5 million after tax) was recognized in the condensed interim consolidated statements of earnings and comprehensive income in gain on sale and leaseback.

## 9. FAIR VALUE MEASUREMENT:

### Financial instruments – carrying amounts and fair values:

The carrying amounts and fair values of financial assets and liabilities included in the unaudited condensed interim consolidated statements of financial position are as follows:

	April 2, 2023	January 1, 2023
<b>Financial assets</b>		
Amortized cost:		
Cash and cash equivalents	\$ 73,837	\$ 150,417
Trade accounts receivable	399,123	248,785
Financial assets included in prepaid expenses, deposits and other current assets	52,459	48,274
Long-term non-trade receivables included in other non-current assets	47	118
Fair value through other comprehensive income:		
Derivative financial assets included in prepaid expenses, deposits and other current assets	20,599	23,765
<b>Financial liabilities</b>		
Amortized cost:		
Accounts payable and accrued liabilities <sup>(1)</sup>	400,952	462,496
Long-term debt - bearing interest at variable rates	930,000	730,000
Long-term debt - bearing interest at fixed rates <sup>(2)</sup>	200,000	200,000
Fair value through other comprehensive income:		
Derivative financial liabilities included in accounts payable and accrued liabilities	7,425	8,712

(1) Accounts payable and accrued liabilities include \$10.8 million (January 1, 2023 - \$26.9 million) under supply-chain financing arrangements (reverse factoring) with a financial institution, whereby receivables due from the Company to certain suppliers can be collected by the suppliers from a financial institution before their original due date. These balances are classified as accounts payable and accrued liabilities and the related payments as cash flows from operating activities, given the principal business purpose of the arrangement is to provide funding to the supplier and not the Company, the arrangement does not significantly extend the payment terms beyond the normal terms agreed with other suppliers, and no additional deferral or special guarantees to secure the payments are included in the arrangement. Accounts payable and accrued liabilities also include balances payable of \$50.7 million (January 1, 2023 - \$35.7 million) resulting mainly from a one-week timing difference between the collection of sold receivables and the weekly remittance to our bank counterparty under our receivables purchase agreement that is disclosed in note 4 to these condensed interim consolidated financial statements.

(2) The fair value of the long-term debt bearing interest at fixed rates was \$197.5 million as at April 2, 2023 (January 1, 2023 - \$197.1 million).

**9. FAIR VALUE MEASUREMENT (continued):*****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.

***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***

Derivative financial instruments are designated as effective hedging instruments and 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 April 2, 2023, the notional amount of TRS outstanding was 362,608 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.

**10. OTHER COMPREHENSIVE INCOME (LOSS) (“OCI”):**

	Three months ended	
	April 2, 2023	April 3, 2022
Net (loss) gain on derivatives designated as cash flow hedges:		
Foreign currency risk	\$ (2,178)	\$ 2,116
Commodity price risk	5,225	44,958
Interest rate risk	(2,763)	10,834
Income taxes	22	(21)
Amounts reclassified from OCI to inventory, related to commodity price risk	2,848	(32,589)
Amounts reclassified from OCI to net earnings, related to foreign currency risk, commodity price risk, and interest rate risk, and included in:		
Net sales	540	(1,739)
Cost of sales	(55)	—
Selling, general and administrative expenses	770	14
Financial expenses, net	923	(408)
Income taxes	(22)	21
Other comprehensive income (loss)	\$ 5,310	\$ 23,186

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 three months ended April 2, 2023. The change in the forward element of derivatives designated as cash flow hedges to reduce foreign currency risk was not significant for the three months ended April 2, 2023. No ineffectiveness has been recognized in net earnings for the three months ended April 2, 2023.

As at April 2, 2023, accumulated other comprehensive income of \$15.2 million consisted of net deferred gains on commodity forward, option, and swap contracts of \$4.0 million, net deferred gains on interest rate swap contracts of \$13.3 million, and net deferred losses on forward foreign exchange contracts of \$2.1 million. Approximately \$9.3 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.

## 11. EARNINGS PER SHARE:

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

	Three months ended	
	April 2, 2023	April 3, 2022
Net earnings - basic and diluted	\$ 97,617	\$ 146,363
Basic earnings per share:		
Basic weighted average number of common shares outstanding	179,543	189,344
Basic earnings per share	\$ 0.54	\$ 0.77
Diluted earnings per share:		
Basic weighted average number of common shares outstanding	179,543	189,344
Plus dilutive impact of stock options, Treasury RSUs and common shares held in trust	300	870
Diluted weighted average number of common shares outstanding	179,843	190,214
Diluted earnings per share	\$ 0.54	\$ 0.77

Excluded from the above calculation for the three months ended April 2, 2023 are 1,132,737 stock options (2022 - nil) and 25,614 Treasury RSUs (2022 - nil) which were deemed to be anti-dilutive.

## 12. SUPPLEMENTAL CASH FLOW DISCLOSURE:

(a) Adjustments to reconcile net earnings to cash flows from (used in) operating activities - other items:

	Three months ended	
	April 2, 2023	April 3, 2022
Unrealized net loss (gain) on foreign exchange and financial derivatives	\$ (100)	\$ (265)
Non-cash restructuring (gains) costs related to property, plant and equipment, right-of-use assets, and computer software (note 7)	(383)	(3,877)
Other non-current assets	(6,641)	286
Other non-current liabilities	(3,465)	(1,451)
	\$ (10,589)	\$ (5,307)

## 12. SUPPLEMENTAL CASH FLOW DISCLOSURE (continued):

### (b) Variations in non-cash transactions:

	Three months ended	
	April 2, 2023	April 3, 2022
Dividends payable	\$ 33,566	\$ 31,451
Shares repurchased for cancellation included in accounts payable and accrued liabilities	—	(3,416)
Net additions to property, plant and equipment and intangible assets included in accounts payable and accrued liabilities	(7,171)	6,188
Proceeds on disposal of property, plant and equipment and computer software included in other current assets	—	(2)
Additions to right-of-use assets included in lease obligations	4,185	1,288
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	15,179	4,582
Deferred compensation credited to contributed surplus	(2,075)	(2,110)

### (c) Changes in non-cash working capital balances:

	Three months ended	
	April 2, 2023	April 3, 2022
Trade accounts receivable	\$ (149,307)	\$ (130,348)
Income taxes	271	3,265
Inventories	(85,427)	(114,316)
Prepaid expenses, deposits and other current assets	(3,790)	5,930
Accounts payable and accrued liabilities	(52,336)	(842)
	\$ (290,589)	\$ (236,311)

## 13. CONTINGENT LIABILITIES:

### 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.



#### 14. DISAGGREGATION OF REVENUE:

Net sales by major product group were as follows:

	Three months ended	
	April 2, 2023	April 3, 2022
Activewear	\$ 587,800	\$ 667,260
Hosiery and underwear	115,063	107,611
	<b>\$ 702,863</b>	<b>\$ 774,871</b>

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

	Three months ended	
	April 2, 2023	April 3, 2022
United States	\$ 625,056	\$ 681,820
Canada	25,671	30,194
International	52,136	62,857
	<b>\$ 702,863</b>	<b>\$ 774,871</b>

#### 15. EVENTS AFTER THE REPORTING PERIOD:

Subsequent to the end of the quarter, the Company finalized an agreement with the insurer to close its insurance claims related to the two hurricanes which occurred in Central America in November 2020. The Company expects to receive a final insurance claims payment of \$74.0 million, relating to the business interruption portion of its claims, which is expected to be recognized as a gain in the Company's consolidated statement of earnings and comprehensive income in the second quarter of 2023.