

Hanesbrands Inc.  
Form 10-Q  
April 24, 2013  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 30, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-32891

Hanesbrands Inc.  
(Exact name of registrant as specified in its charter)

Maryland 20-3552316  
(State of incorporation) (I.R.S. employer identification no.)

1000 East Hanes Mill Road 27105  
Winston-Salem, North Carolina (Zip code)  
(Address of principal executive office)  
(336) 519-8080  
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 19, 2013, there were 98,543,948 shares of the registrant's common stock outstanding.



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## Trademarks, Trade Names and Service Marks

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own or have rights to use that may appear in this Quarterly Report on Form 10-Q include the Hanes, Champion, C9 by Champion, Bali, Playtex, Just My Size, L'eggs, barely there, Wonderbra, Gear for Sports, Zorba, Sol y Oro and Rinbros marks, which may be registered in the United States and other jurisdictions. We do not own any trademark, trade name or service mark of any other company appearing in this Quarterly Report on Form 10-Q.

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**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can generally be identified by the use of words such as “may,” “believe,” “will,” “expect,” “project,” “estimate,” “intend,” “anticipate,” “plan,” “continue” or similar expressions. In particular, statements under the heading “Outlook” and other information appearing under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” include forward-looking statements. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements.

Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is based on the current plans and expectations of our management, expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that the expectation or belief will result or will be achieved or accomplished. More information on factors that could cause actual results or events to differ materially from those anticipated is included from time to time in our reports filed with the Securities and Exchange Commission (the “SEC”), including our Annual Report on Form 10-K for the year ended December 29, 2012, particularly under the caption “Risk Factors,” as well in the “Investors” section of the company’s corporate website, [www.hanesbrands.com](http://www.hanesbrands.com).

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q or our Annual Report on Form 10-K for the year ended December 29, 2012, particularly under the caption “Risk Factors.” We undertake no obligation to update or revise forward-looking statements that may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events, other than as required by law.

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can inspect, read and copy these reports, proxy statements and other information at the SEC’s Public Reference Room, which is located at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information regarding the operation of the SEC’s Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that makes available reports, proxy statements and other information regarding issuers that file electronically.

We make available free of charge at [www.hanesbrands.com](http://www.hanesbrands.com) (in the “Investors” section) copies of materials we file with, or furnish to, the SEC. By referring to our corporate website, [www.hanesbrands.com](http://www.hanesbrands.com), or any of our other websites, we do not incorporate any such website or its contents into this Quarterly Report on Form 10-Q.

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## PART I

## Item 1. Financial Statements

## HANESBRANDS INC.

## Condensed Consolidated Statements of Income (Loss)

(in thousands, except per share amounts)

(unaudited)

|  | Quarter Ended     |                   |
|--|-------------------|-------------------|
|  | March 30,<br>2013 | March 31,<br>2012 |
| Net sales  | \$945,461         | \$973,133         |
| Cost of sales  | 618,162           | 718,019           |
| Gross profit   | 327,299           | 255,114           |
| Selling, general and administrative expenses                                 | 242,156           | 244,469           |
| Operating profit   | 85,143            | 10,645            |
| Other expenses   | 464               | 645               |
| Interest expense, net  | 25,623            | 36,995            |
| Income (loss) from continuing operations before income tax expense (benefit) | 59,056            | (26,995 )         |
| Income tax expense (benefit)   | 7,677             | (2,724 )          |
| Income (loss) from continuing operations                                     | 51,379            | (24,271 )         |
| Loss from discontinued operations, net of tax                                | —                 | (2,559 )          |
| Net income (loss)  | \$51,379          | \$(26,830 )       |
| Earnings (loss) per share — basic:   |                   |                   |
| Continuing operations  | \$0.52            | \$(0.25 )         |
| Discontinued operations  | —                 | (0.03 )           |
| Net income (loss)  | \$0.52            | \$(0.27 )         |
| Earnings (loss) per share — diluted:   |                   |                   |
| Continuing operations  | \$0.51            | \$(0.25 )         |
| Discontinued operations  | —                 | (0.03 )           |
| Net income (loss)  | \$0.51            | \$(0.27 )         |

See accompanying notes to Condensed Consolidated Financial Statements.

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HANESBRANDS INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

(unaudited)

|   | Quarter Ended     |                   |
|---|-------------------|-------------------|
|   | March 30,<br>2013 | March 31,<br>2012 |
| Net income (loss)   | \$51,379          | \$(26,830 )       |
| Other comprehensive income, net of tax of \$1,496 and \$1,722, respectively | 1,356             | 4,924             |
| Comprehensive income (loss)   | \$52,735          | \$(21,906 )       |

See accompanying notes to Condensed Consolidated Financial Statements.

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## HANESBRANDS INC.

## Condensed Consolidated Balance Sheets

(in thousands, except share and per share amounts)

(unaudited)

|  | March 30,<br>2013 | December 29,<br>2012 |
|--|-------------------|----------------------|
| Assets   |                   |                      |
| Cash and cash equivalents  | \$68,545          | \$42,796             |
| Trade accounts receivable, net                                   | 550,650           | 506,278              |
| Inventories  | 1,346,985         | 1,253,136            |
| Deferred tax assets  | 168,093           | 166,189              |
| Other current assets   | 63,285            | 59,126               |
| Total current assets   | 2,197,558         | 2,027,525            |
| Property, net  | 582,382           | 596,158              |
| Trademarks and other identifiable intangibles, net               | 117,091           | 120,114              |
| Goodwill   | 433,321           | 433,300              |
| Deferred tax assets  | 414,789           | 397,529              |
| Other noncurrent assets  | 61,984            | 57,074               |
| Total assets   | \$3,807,125       | \$3,631,700          |
| Liabilities and Stockholders' Equity                             |                   |                      |
| Accounts payable   | \$419,302         | \$403,644            |
| Accrued liabilities  | 266,686           | 271,972              |
| Notes payable  | 29,827            | 26,216               |
| Accounts Receivable Securitization Facility                      | 159,747           | 173,836              |
| Total current liabilities  | 875,562           | 875,668              |
| Long-term debt   | 1,435,000         | 1,317,500            |
| Pension and postretirement benefits                              | 423,567           | 446,267              |
| Other noncurrent liabilities                                     | 124,442           | 105,399              |
| Total liabilities  | 2,858,571         | 2,744,834            |
| Stockholders' equity:  |                   |                      |
| Preferred stock (50,000,000 authorized shares; \$.01 par value)  |                   |                      |
| Issued and outstanding — None                                    | —                 | —                    |
| Common stock (500,000,000 authorized shares; \$.01 par value)    |                   |                      |
| Issued and outstanding — 98,530,883 and 98,269,868, respectively | 985               | 983                  |
| Additional paid-in capital                                       | 300,980           | 292,029              |
| Retained earnings  | 962,846           | 911,467              |
| Accumulated other comprehensive loss                             | (316,257          | ) (317,613           |
| Total stockholders' equity                                       | 948,554           | 886,866              |
| Total liabilities and stockholders' equity                       | \$3,807,125       | \$3,631,700          |

See accompanying notes to Condensed Consolidated Financial Statements.

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## HANESBRANDS INC.

## Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

|  | Quarter Ended     |                   |
|--|-------------------|-------------------|
|  | March 30,<br>2013 | March 31,<br>2012 |
| Operating activities:  |                   |                   |
| Net income (loss)  | \$51,379          | \$(26,830 )       |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: |                   |                   |
| Depreciation and amortization of long-lived assets                                   | 23,221            | 23,330            |
| Amortization of debt issuance costs  | 1,679             | 2,476             |
| Amortization of loss on interest rate hedge  | —                 | 1,114             |
| Stock compensation expense   | 2,510             | 1,772             |
| Deferred taxes and other   | (1,551            | ) (1,448 )        |
| Changes in assets and liabilities:   |                   |                   |
| Accounts receivable  | (44,661           | ) (51,829 )       |
| Inventories  | (95,192           | ) (8,647 )        |
| Other assets   | (12,545           | ) 5,012           |
| Accounts payable   | 19,087            | (49,645 )         |
| Accrued liabilities and other  | (22,998           | ) 10,580          |
| Net cash used in operating activities  | (79,071           | ) (94,115 )       |
| Investing activities:  |                   |                   |
| Capital expenditures   | (6,530            | ) (9,016 )        |
| Net cash used in investing activities  | (6,530            | ) (9,016 )        |
| Financing activities:  |                   |                   |
| Borrowings on notes payable  | 34,210            | 20,671            |
| Repayments on notes payable  | (30,571           | ) (42,217 )       |
| Borrowings on Accounts Receivable Securitization Facility                            | 51,382            | 56,802            |
| Repayments on Accounts Receivable Securitization Facility                            | (65,471           | ) (60,365 )       |
| Borrowings on Revolving Loan Facility  | 953,000           | 804,000           |
| Repayments on Revolving Loan Facility  | (835,500          | ) (676,000 )      |
| Proceeds from stock options exercised  | 4,406             | 323               |
| Other  | 347               | (1,070 )          |
| Net cash provided by financing activities  | 111,803           | 102,144           |
| Effect of changes in foreign exchange rates on cash                                  | (453              | ) 242             |
| Increase (decrease) in cash and cash equivalents                                     | 25,749            | (745 )            |
| Cash and cash equivalents at beginning of year                                       | 42,796            | 35,345            |
| Cash and cash equivalents at end of period   | \$68,545          | \$34,600          |

See accompanying notes to Condensed Consolidated Financial Statements.



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HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements

(dollars and shares in thousands, except per share data)

(unaudited)

(1)Basis of Presentation

These statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) and, in accordance with those rules and regulations, do not include all information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Management believes that the disclosures made are adequate for a fair statement of the results of operations, financial condition and cash flows of Hanesbrands Inc., a Maryland corporation, and its consolidated subsidiaries (the “Company” or “Hanesbrands”). In the opinion of management, the condensed consolidated interim financial statements reflect all adjustments, which consist only of normal recurring adjustments, necessary to state fairly the results of operations, financial condition and cash flows for the interim periods presented herein. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the reported amounts and disclosures. Actual results may vary from these estimates.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s most recent Annual Report on Form 10-K. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

In May 2012, the Company sold its European imagewear business and completed the discontinuation of its private-label and Outer Banks domestic imagewear operations which served wholesalers that sell to the screen-print industry. As a result of these actions, the prior-year disclosures reflect these operations as discontinued operations.

(2)Recent Accounting Pronouncements

Presentation of Comprehensive Income

In February 2013, the Financial Accounting Standards Board (the “FASB”) issued a final rule related to the reporting of amounts reclassified out of accumulated other comprehensive income that requires entities to report, either on their income statement or in a footnote to their financial statements, the effects on earnings from items that are reclassified out of other comprehensive income. The new accounting rules were effective for the Company in the first quarter of 2013. The adoption of the new accounting rules did not have a material effect on the Company’s financial condition, results of operations or cash flows.

Disclosures About Offsetting Assets and Liabilities

In December 2011, the FASB issued new accounting rules related to new disclosure requirements regarding the nature of an entity’s rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The new rules are effective for the Company in the first quarter of 2014 with retrospective application required. The Company does not expect the adoption of the new accounting rules to have a material effect on the Company’s financial condition, results of operations or cash flows.

(3)Earnings Per Share

Basic earnings per share (“EPS”) was computed by dividing net income by the number of weighted average shares of common stock outstanding. Diluted EPS was calculated to give effect to all potentially dilutive shares of common stock using the treasury stock method. The reconciliation of basic to diluted weighted average shares outstanding is as follows:

|   | Quarter Ended     |                   |
|---|-------------------|-------------------|
|   | March 30,<br>2013 | March 31,<br>2012 |
| Basic weighted average shares outstanding | 99,369            | 98,533            |

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Effect of potentially dilutive securities:

|   |         |        |
|---|---------|--------|
| Stock options                               | 1,564   | —      |
| Restricted stock units                      | 527     | —      |
| Diluted weighted average shares outstanding | 101,460 | 98,533 |

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## HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

For the quarters ended March 30, 2013 and March 31, 2012, options to purchase 0 and 5,297 shares of common stock and 0 and 691 restricted stock units, respectively, were excluded from the diluted earnings per share calculation because their effect would be anti-dilutive. Because the Company reported a net loss for the quarter ended March 31, 2012, all restricted stock units and stock options were excluded from the computation of diluted loss per share as their effect would have been anti-dilutive.

## (4) Inventories

Inventories consisted of the following:

|                 | March 30,<br>2013 | December 29,<br>2012 |
|-----------------|-------------------|----------------------|
| Raw materials   | \$181,616         | \$167,883            |
| Work in process | 139,466           | 143,713              |
| Finished goods  | 1,025,903         | 941,540              |
|                 | \$1,346,985       | \$1,253,136          |

## (5) Debt

Debt consisted of the following:

|   | Interest<br>Rate as of<br>March 30,<br>2013 | Principal Amount  |                      | Maturity Date |
|---|---|-------------------|----------------------|---------------|
|   |   | March 30,<br>2013 | December 29,<br>2012 |               |
| Revolving Loan Facility                     | 2.57%                                       | \$185,000         | \$67,500             | July 2017     |
| 6.375% Senior Notes                         | 6.38%                                       | 1,000,000         | 1,000,000            | December 2020 |
| 8% Senior Notes                             | 8.00%                                       | 250,000           | 250,000              | December 2016 |
| Accounts Receivable Securitization Facility | 1.27%                                       | 159,747           | 173,836              | March 2014    |
|   |   | 1,594,747         | 1,491,336            |               |
| Less current maturities                     |   | 159,747           | 173,836              |               |
|   |   | \$1,435,000       | \$1,317,500          |               |

As of March 30, 2013, the Company had \$402,305 of borrowing availability under the \$600,000 revolving credit facility (the "Revolving Loan Facility") under the senior secured credit facility after taking into account outstanding borrowings and \$12,695 of standby and trade letters of credit issued and outstanding under this facility.

In March 2013, the Company amended the accounts receivable securitization facility that it entered into in November 2007 (the "Accounts Receivable Securitization Facility"). This amendment decreased certain fee rates and extended the termination date to March 2014.

As of March 30, 2013, the Company was in compliance with all financial covenants under its credit facilities.

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## HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

## (6) Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) ("AOCI") are as follows:

|  | Cumulative<br>Translation<br>Adjustment | Foreign<br>Exchange<br>Contracts | Defined<br>Benefit Plans | Income<br>Taxes | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|--|---|----------------------------------|--------------------------|-----------------|--|
| Balance at December 29, 2012   | \$(8,340 )                              | \$853                            | \$(512,558 )             | \$202,432       | \$(317,613 )   |
| Amounts reclassified from<br>accumulated other comprehensive<br>loss | —                                       | 42                               | 3,862                    | (1,557 )        | 2,347  |
| Current-period other comprehensive<br>income (loss) activity         | (901 )                                  | (151 )                           | —                        | 61              | (991 )   |
| Balance at March 30, 2013  | \$(9,241 )                              | \$744                            | \$(508,696 )             | \$200,936       | \$(316,257 )   |

The Company had the following reclassifications out of accumulated other comprehensive income (loss):

| Component of AOCI  | Amount of Reclassification<br>from AOCI |                   | Location of Reclassification into Income        |
|--|---|-------------------|---|
|  | Quarter Ended<br>March 30,<br>2013      | March 31,<br>2012 |   |
| Gain (loss) on foreign exchange<br>contracts                         | \$(42 )                                 | \$(33 )           | Cost of sales                                   |
|  | 17                                      | 13                | Income tax benefit                              |
|  | \$(25 )                                 | \$(20 )           | Net of tax                                      |
| Amortization of loss on interest rate<br>hedge                       | \$—                                     | \$(1,114 )        | Interest expense, net                           |
|  | —                                       | 444               | Income tax benefit                              |
|  | \$—                                     | \$(670 )          | Net of tax                                      |
| Amortization of deferred actuarial loss<br>and<br>prior service cost | \$(3,862 )                              | \$(3,989 )        | Selling, general and administrative<br>expenses |
|  | 1,540                                   | 1,590             | Income tax benefit                              |
|  | \$(2,322 )                              | \$(2,399 )        | Net of tax                                      |
| Total reclassifications  | \$(2,347 )                              | \$(3,089 )        |   |

## (7) Financial Instruments and Risk Management

The Company uses forward foreign exchange contracts to manage its exposures to movements in foreign exchange rates. As of March 30, 2013, the notional U.S. dollar equivalent of commitments to sell and purchase foreign currencies within the Company's derivative portfolio was \$104,284 and \$10,025 respectively, primarily consisting of contracts hedging exposures to the Mexican peso, Canadian dollar, Australian dollar, Brazilian real and Japanese yen.

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HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

## Fair Values of Derivative Instruments

The fair values of derivative financial instruments recognized in the Condensed Consolidated Balance Sheets of the Company were as follows:

|                                  | Balance Sheet Location | Fair Value        |                      |
|----------------------------------|------------------------|-------------------|----------------------|
|                                  |                        | March 30,<br>2013 | December 29,<br>2012 |
| Hedges                           | Other current assets   | \$592             | \$708                |
| Non-hedges                       | Other current assets   | 217               | 380                  |
| Total derivative assets          |                        | \$809             | \$1,088              |
| Hedges                           | Accrued liabilities    | \$(538)           | \$(184)              |
| Non-hedges                       | Accrued liabilities    | (336)             | (84)                 |
| Total derivative liabilities     |                        | \$(874)           | \$(268)              |
| Net derivative asset (liability) |                        | \$(65)            | \$820                |

## Cash Flow Hedges

The Company uses forward foreign exchange contracts to reduce the effect of fluctuating foreign currencies on short-term foreign currency-denominated transactions, foreign currency-denominated investments, and other known foreign currency exposures. Gains and losses on these contracts are intended to offset losses and gains on the hedged transaction in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates. The Company expects to reclassify into earnings during the next 12 months a net loss from Accumulated other comprehensive loss of approximately \$190.

The changes in fair value of derivatives excluded from the Company's effectiveness assessments and the ineffective portion of the changes in the fair value of derivatives used as cash flow hedges are reported in the "Selling, general and administrative expenses" line in the Condensed Consolidated Statements of Income (Loss).

The effect of cash flow hedge derivative instruments on the Condensed Consolidated Statements of Income (Loss) and Accumulated other comprehensive loss is as follows:

|                            | Location of<br>Gain (Loss)<br>Reclassified from<br>Accumulated Other<br>Comprehensive<br>Loss into Income<br>(Effective Portion) | Amount of<br>Gain (Loss)<br>Recognized in<br>Accumulated Other<br>Comprehensive Loss<br>(Effective Portion)<br>Quarter Ended |                   |
|----------------------------|--|--|-------------------|
|                            |  | March 30,<br>2013  | March 31,<br>2012 |
| Foreign exchange contracts |  | \$(151)  | \$(793)           |

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|                            |                       | Quarter Ended     |                   |
|----------------------------|-----------------------|-------------------|-------------------|
|                            |                       | March 30,<br>2013 | March 31,<br>2012 |
| Interest rate contracts    | Interest expense, net | \$—               | \$(1,114 )        |
| Foreign exchange contracts | Cost of sales         | (42 )             | (33 )             |
| Total                      |                       | \$(42 )           | \$(1,147 )        |

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HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

## Derivative Contracts Not Designated As Hedges

The Company uses foreign exchange derivative contracts as economic hedges against the impact of foreign exchange fluctuations on anticipated intercompany purchase and lending transactions denominated in foreign currencies. Gains or losses on these contracts largely offset the net remeasurement gains or losses on the related assets and liabilities. The effect of derivative contracts not designated as hedges on the Condensed Consolidated Statements of Income (Loss) is as follows:

|                            | Location of Loss<br>Recognized in Income<br>on<br>Derivative | Amount of Gain (Loss)<br>Recognized in Income<br>Quarter Ended |                   |
|----------------------------|--|--|-------------------|
|                            |  | March 30,<br>2013  | March 31,<br>2012 |
| Foreign exchange contracts | Selling, general and<br>administrative expenses              | \$(1,786 )   | \$(2,607 )        |

## (8) Fair Value of Assets and Liabilities

Fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. A three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, is utilized for disclosing the fair value of the Company's assets and liabilities. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of March 30, 2013, the Company held certain financial assets and liabilities related to foreign exchange derivative contracts that are required to be measured at fair value on a recurring basis. The fair values of foreign currency derivatives are determined using the cash flows of the foreign exchange contract, discount rates to account for the passage of time and current foreign exchange market data and are categorized as Level 2. The Company's defined benefit pension plan investments are not required to be measured at fair value on a recurring basis.

There were no changes during the quarter ended March 30, 2013 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis. There were no transfers between the three level categories and there were no Level 3 assets or liabilities measured on a quarterly basis during the quarter ended March 30, 2013. As of March 30, 2013, the Company did not have any non-financial assets or liabilities that were required to be measured at fair value on a recurring or non-recurring basis.

The following tables set forth by level within the fair value hierarchy the Company's financial assets and liabilities accounted for at fair value on a recurring basis.

|                                       | Assets (Liabilities) at Fair Value as of<br>March 30, 2013                 |   |  |
|---------------------------------------|--|---|--|
|                                       | Quoted Prices In<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Insignificant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Foreign exchange derivative contracts | \$—  | \$809   | \$—  |
| Foreign exchange derivative contracts | —  | (874 )  | —  |
| Total                                 | \$—  | \$(65 )   | \$—  |





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HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

|                                       | Assets (Liabilities) at Fair Value as of<br>December 29, 2012           |   |  |
|---------------------------------------|---|---|--|
|                                       | Quoted Prices<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Insignificant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Foreign exchange derivative contracts | \$—   | \$1,088   | \$—  |
| Foreign exchange derivative contracts | —   | (268  | ) —  |
| Total                                 | \$—   | \$820   | \$—  |

## Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, trade accounts receivable, notes receivable and accounts payable approximated fair value as of March 30, 2013 and December 29, 2012. The carrying amount of trade accounts receivable includes allowance for doubtful accounts, chargebacks and other deductions of \$14,879 and \$14,940 as of March 30, 2013 and December 29, 2012, respectively. The fair value of debt, which is classified as a Level 2 liability, was \$1,703,397 and \$1,609,114 as of March 30, 2013 and December 29, 2012 and had a carrying value of \$1,594,747 and \$1,491,336, respectively. The fair values were estimated using quoted market prices as provided in secondary markets which consider the Company's credit risk and market related conditions. The carrying amounts of the Company's notes payable, which is classified as a Level 2 liability, approximated fair value as of March 30, 2013 and December 29, 2012, primarily due to the short-term nature of these instruments.

## (9) Income Taxes

The Company's effective income tax rate was 13% and 10% for the quarters ended March 30, 2013 and March 31, 2012, respectively. The higher effective income tax rate for the quarter ended March 30, 2013 compared to the quarter ended March 31, 2012 was primarily attributable to a higher proportion of earnings attributed to domestic subsidiaries, which are taxed at rates higher than foreign subsidiaries, partially offset by an income tax benefit of approximately \$6,000 in the quarter ended March 30, 2013 related to the retroactive application of the American Taxpayer Relief Act of 2012 that was signed into law in January 2013.

## (10) Discontinued Operations

## European Imagewear

In May 2012, the Company sold its European imagewear business to Smartwares, B.V. for €15,000 (approximately \$13,000, net of fees and other transaction related costs) in cash proceeds, resulting in a pre-tax loss of approximately \$33,000. The European imagewear business was previously reported within the International segment.

## Domestic Imagewear

In 2012, the Company completed the discontinuation of its private-label and Outer Banks domestic imagewear operations that served wholesalers that sell to the screen-print industry. During 2012, the Company incurred pre-tax charges of approximately \$63,000, substantially all noncash, for the write-down of intangibles, inventory markdowns and other related items. The private-label and Outer Banks domestic imagewear operations were previously reported within the Activewear segment.

The operating results of these discontinued operations only reflect revenues and expenses that are directly attributable to these businesses and that will be eliminated from ongoing operations. The key components from discontinued operations related to the European and domestic imagewear businesses were as follows:



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## HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

|   | Quarter Ended<br>March 31,<br>2012 |
|---|------------------------------------|
| Net sales   | \$35,201                           |
| Cost of sales   | 35,952                             |
| Gross profit loss   | (751 )                             |
| Selling, general and administrative expenses                | 3,816                              |
| Operating loss  | (4,567 )                           |
| Interest expense, net                                       | 3                                  |
| Loss from discontinued operations before income tax benefit | (4,570 )                           |
| Income tax benefit  | (2,011 )                           |
| Loss from discontinued operations, net of tax               | \$(2,559 )                         |

## (11) Business Segment Information

The Company's operations are managed and reported in four operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Activewear, Direct to Consumer and International. In the first quarter of 2013, the Company renamed the Outerwear segment to Activewear to reflect the trend of this category becoming a part of consumers' active lifestyles and more aptly describe the competitive space of this business. These segments are organized principally by product category, geographic location and distribution channel. Each segment has its own management that is responsible for the operations of the segment's businesses, but the segments share a common supply chain and media and marketing platforms.

The types of products and services from which each reportable segment derives its revenues are as follows:

• Innerwear sells basic branded products that are replenishment in nature under the product categories of men's underwear, kids' underwear, socks and intimates, which includes bras, panties, hosiery and shapewear.

• Activewear sells basic branded products that are primarily seasonal in nature under the product categories of branded printwear and retail activewear, as well as licensed logo apparel in collegiate bookstores and other channels.

• Direct to Consumer includes the Company's value-based ("outlet") stores and Internet operations which sell products from the Company's portfolio of leading brands. The Company's Internet operations are supported by its catalogs.

• International primarily relates to the Asia, Latin America, Canada and Australia geographic locations that sell products that span across the Innerwear and Activewear reportable segments.

The Company evaluates the operating performance of its segments based upon segment operating profit, which is defined as operating profit before general corporate expenses and amortization of intangibles. The accounting policies of the segments are consistent with those described in Note 2 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 29, 2012. The Company decided in the first quarter of 2013 to revise the manner in which the Company allocates certain selling, general and administrative expenses. Certain prior-year segment operating profit disclosures have been revised to conform to the current-year presentation.

|                    | Quarter Ended     |                   |
|--------------------|-------------------|-------------------|
|                    | March 30,<br>2013 | March 31,<br>2012 |
| Net sales:         |                   |                   |
| Innerwear          | \$497,025         | \$509,038         |
| Activewear         | 267,186           | 272,564           |
| Direct to Consumer | 80,083            | 84,713            |
| International      | 101,167           | 106,818           |

|                 |           |           |
|-----------------|-----------|-----------|
| Total net sales | \$945,461 | \$973,133 |
|-----------------|-----------|-----------|

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## HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

|  | Quarter Ended     |                   |
|--|-------------------|-------------------|
|  | March 30,<br>2013 | March 31,<br>2012 |
| Segment operating profit (loss):   |                   |                   |
| Innerwear  | \$89,742          | \$53,208          |
| Activewear   | 21,309            | (18,678 )         |
| Direct to Consumer   | 132               | (761 )            |
| International  | 2,282             | 4,899             |
| Total segment operating profit   | 113,465           | 38,668            |
| Items not included in segment operating profit:                              |                   |                   |
| General corporate expenses   | (24,951 )         | (24,596 )         |
| Amortization of intangibles  | (3,371 )          | (3,427 )          |
| Total operating profit   | 85,143            | 10,645            |
| Other expenses   | (464 )            | (645 )            |
| Interest expense, net  | (25,623 )         | (36,995 )         |
| Income (loss) from continuing operations before income tax expense (benefit) | \$59,056          | \$(26,995 )       |

## (12) Consolidating Financial Information

In accordance with the indenture governing the Company's \$250,000 8% Senior Notes issued on December 10, 2009 and the indenture governing the Company's \$1,000,000 6.375% Senior Notes issued on November 9, 2010 (together, the "Indentures"), certain of the Company's subsidiaries have guaranteed the Company's obligations under the 8% Senior Notes and the 6.375% Senior Notes, respectively. The following presents the condensed consolidating financial information separately for:

- (i) Parent Company, the issuer of the guaranteed obligations. Parent Company includes Hanesbrands Inc. and its 100% owned operating divisions which are not legal entities, and excludes its subsidiaries which are legal entities;
- (ii) Guarantor subsidiaries, on a combined basis, as specified in the Indentures;
- (iii) Non-guarantor subsidiaries, on a combined basis;
- (iv) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among Parent Company, the guarantor subsidiaries and the non-guarantor subsidiaries, (b) eliminate intercompany profit in inventory, (c) eliminate the investments in our subsidiaries and (d) record consolidating entries; and
- (v) The Company, on a consolidated basis.

The 8% Senior Notes and the 6.375% Senior Notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary, each of which is wholly owned, directly or indirectly, by Hanesbrands Inc. A guarantor subsidiary's guarantee can be released in certain customary circumstances. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use by the Parent Company and guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation.

As previously reported, the Condensed Consolidating Statements of Comprehensive Income for all periods presented have been revised to correct the net sales and cost of sales amounts for intercompany transactions related to the Parent Company and Non-Guarantor Subsidiaries. These revisions reduced net sales and cost of sales for the Parent Company and Non-Guarantor Subsidiaries and reduced the eliminations amounts for the total of the two by \$11,067 and \$260,100, respectively, for the quarter ended March 31, 2012.

The impact on net sales and cost of sales within each specified column is the same amount for all periods and these revisions did not impact consolidated or guarantor results.



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## HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

Condensed Consolidating Statement of Comprehensive Income (Loss)  
Quarter Ended March 30, 2013

|  | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Entries and<br>Eliminations | Consolidated |
|--|-------------------|---------------------------|-------------------------------|--|--------------|
| Net sales  | \$860,755         | \$132,706                 | \$544,301                     | \$(592,301)                                  | \$945,461    |
| Cost of sales  | 683,857           | 63,478                    | 438,987                       | (568,160)                                    | 618,162      |
| Gross profit   | 176,898           | 69,228                    | 105,314                       | (24,141)                                     | 327,299      |
| Selling, general and administrative<br>expenses                | 173,948           | 38,308                    | 31,097                        | (1,197)                                      | 242,156      |
| Operating profit   | 2,950             | 30,920                    | 74,217                        | (22,944)                                     | 85,143       |
| Equity in earnings of subsidiaries                             | 75,860            | 49,819                    | —                             | (125,679)                                    | —            |
| Other expenses   | 464               | —                         | —                             | —  | 464          |
| Interest expense, net  | 24,153            | —                         | 1,470                         | —  | 25,623       |
| Income from continuing operations<br>before income tax expense | 54,193            | 80,739                    | 72,747                        | (148,623)                                    | 59,056       |
| Income tax expense   | 2,814             | 1,375                     | 3,488                         | —  | 7,677        |
| Income from continuing operations                              | 51,379            | 79,364                    | 69,259                        | (148,623)                                    | 51,379       |
| Income (loss) from discontinued<br>operations, net of tax      | —                 | —                         | —                             | —  | —            |
| Net income   | \$51,379          | \$79,364                  | \$69,259                      | \$(148,623)                                  | \$51,379     |
| Comprehensive income (loss)                                    | \$52,735          | \$79,364                  | \$(965)                       | \$(78,399)                                   | \$52,735     |

Condensed Consolidating Statement of Comprehensive Income (Loss)  
Quarter Ended March 31, 2012

|  | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Entries and<br>Eliminations | Consolidated |
|--|-------------------|---------------------------|-------------------------------|--|--------------|
| Net sales  | \$872,060         | \$140,138                 | \$527,700                     | \$(566,765)                                  | \$973,133    |
| Cost of sales  | 742,381           | 64,696                    | 461,507                       | (550,565)                                    | 718,019      |
| Gross profit   | 129,679           | 75,442                    | 66,193                        | (16,200)                                     | 255,114      |
| Selling, general and administrative<br>expenses                                    | 176,623           | 35,163                    | 33,885                        | (1,202)                                      | 244,469      |
| Operating profit (loss)  | (46,944)          | 40,279                    | 32,308                        | (14,998)                                     | 10,645       |
| Equity in earnings of subsidiaries   | 43,628            | 21,137                    | —                             | (64,765)                                     | —            |
| Other expenses   | 645               | —                         | —                             | —  | 645          |
| Interest expense, net  | 34,506            | (4)                       | 2,455                         | 38   | 36,995       |
| Income (loss) from continuing<br>operations before income tax<br>expense (benefit) | (38,467)          | 61,420                    | 29,853                        | (79,801)                                     | (26,995)     |
| Income tax expense (benefit)   | (12,563)          | 6,754                     | 3,085                         | —  | (2,724)      |
| Income (loss) from continuing<br>operations  | (25,904)          | 54,666                    | 26,768                        | (79,801)                                     | (24,271)     |
| Loss from discontinued operations,<br>net of tax                                   | (926)             | —                         | (4,969)                       | 3,336  | (2,559)      |

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|                             |           |            |           |           |             |   |
|-----------------------------|-----------|------------|-----------|-----------|-------------|---|
| Net income (loss)           | \$(26,830 | ) \$54,666 | \$ 21,799 | \$(76,465 | ) \$(26,830 | ) |
| Comprehensive income (loss) | \$(21,906 | ) \$54,666 | \$ 23,751 | \$(78,417 | ) \$(21,906 | ) |



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## HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

Condensed Consolidating Balance Sheet  
March 30, 2013

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Entries and<br>Eliminations | Consolidated |
|---|-------------------|---------------------------|-------------------------------|--|--------------|
| <b>Assets</b>   |                   |                           |                               |  |              |
| Cash and cash equivalents                             | \$4,278           | \$1,751                   | \$ 62,516                     | \$—  | \$68,545     |
| Trade accounts receivable, net                        | 109,543           | 31,105                    | 410,110                       | (108 )                                       | 550,650      |
| Inventories   | 965,027           | 112,999                   | 434,404                       | (165,445 )                                   | 1,346,985    |
| Deferred tax assets                                   | 164,532           | 1,015                     | 2,546                         | —  | 168,093      |
| Other current assets                                  | 37,588            | 10,010                    | 15,899                        | (212 )                                       | 63,285       |
| Total current assets                                  | 1,280,968         | 156,880                   | 925,475                       | (165,765 )                                   | 2,197,558    |
| Property, net   | 85,398            | 39,910                    | 457,074                       | —  | 582,382      |
| Trademarks and other identifiable<br>intangibles, net | 9,659             | 91,936                    | 15,496                        | —  | 117,091      |
| Goodwill  | 232,882           | 124,247                   | 76,192                        | —  | 433,321      |
| Investments in subsidiaries                           | 2,319,130         | 1,310,298                 | —                             | (3,629,428 )                                 | —            |
| Deferred tax assets                                   | 241,242           | 154,325                   | 19,222                        | —  | 414,789      |
| Receivables from related entities                     | 4,122,980         | 3,299,118                 | 1,891,946                     | (9,314,044 )                                 | —            |
| Other noncurrent assets                               | 56,672            | 210                       | 5,102                         | —  | 61,984       |
| Total assets  | \$8,348,931       | \$5,176,924               | \$ 3,390,507                  | \$(13,109,237)                               | \$3,807,125  |
| <b>Liabilities and Stockholders'</b>                  |                   |                           |                               |  |              |
| <b>Equity</b>   |                   |                           |                               |  |              |
| Accounts payable                                      | \$245,968         | \$11,867                  | \$ 161,467                    | \$—  | \$419,302    |
| Accrued liabilities                                   | 174,531           | 31,211                    | 60,930                        | 14   | 266,686      |
| Notes payable   | —                 | —                         | 29,827                        | —  | 29,827       |
| Accounts Receivable Securitization<br>Facility        | —                 | —                         | 159,747                       | —  | 159,747      |
| Total current liabilities                             | 420,499           | 43,078                    | 411,971                       | 14   | 875,562      |
| Long-term debt  | 1,435,000         | —                         | —                             | —  | 1,435,000    |
| Pension and postretirement benefits                   | 411,347           | —                         | 12,220                        | —  | 423,567      |
| Payables to related entities                          | 5,033,249         | 2,654,884                 | 1,373,003                     | (9,061,136 )                                 | —            |
| Other noncurrent liabilities                          | 100,282           | 10,912                    | 13,248                        | —  | 124,442      |
| Total liabilities                                     | 7,400,377         | 2,708,874                 | 1,810,442                     | (9,061,122 )                                 | 2,858,571    |
| Stockholders' equity                                  | 948,554           | 2,468,050                 | 1,580,065                     | (4,048,115 )                                 | 948,554      |
| Total liabilities and stockholders'<br>equity         | \$8,348,931       | \$5,176,924               | \$ 3,390,507                  | \$(13,109,237)                               | \$3,807,125  |

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## HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

|   | Condensed Consolidating Balance Sheet<br>December 29, 2012 |                           |                               |  |              |
|---|--|---------------------------|-------------------------------|--|--------------|
|   | Parent<br>Company  | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Entries and<br>Eliminations | Consolidated |
| <b>Assets</b>   |  |                           |                               |  |              |
| Cash and cash equivalents                             | \$5,617  | \$1,919                   | \$ 35,260                     | \$—  | \$42,796     |
| Trade accounts receivable, net                        | 39,379   | 32,199                    | 434,825                       | (125 )                                       | 506,278      |
| Inventories   | 882,290  | 102,121                   | 413,340                       | (144,615 )                                   | 1,253,136    |
| Deferred tax assets                                   | 161,935  | 1,015                     | 3,239                         | —  | 166,189      |
| Other current assets                                  | 30,692   | 11,917                    | 16,563                        | (46 )  | 59,126       |
| Total current assets                                  | 1,119,913  | 149,171                   | 903,227                       | (144,786 )                                   | 2,027,525    |
| Property, net   | 90,820   | 41,326                    | 464,012                       | —  | 596,158      |
| Trademarks and other identifiable<br>intangibles, net | 10,662   | 93,727                    | 15,725                        | —  | 120,114      |
| Goodwill  | 232,882  | 124,247                   | 76,171                        | —  | 433,300      |
| Investments in subsidiaries                           | 2,220,706  | 1,284,516                 | —                             | (3,505,222 )                                 | —            |
| Deferred tax assets                                   | 224,559  | 154,325                   | 18,645                        | —  | 397,529      |
| Receivables from related entities                     | 3,967,079  | 3,198,153                 | 1,785,466                     | (8,950,698 )                                 | —            |
| Other noncurrent assets                               | 51,686   | 271                       | 5,117                         | —  | 57,074       |
| Total assets  | \$7,918,307  | \$5,045,736               | \$ 3,268,363                  | \$(12,600,706)                               | \$3,631,700  |
| <b>Liabilities and Stockholders'</b>                  |  |                           |                               |  |              |
| <b>Equity</b>   |  |                           |                               |  |              |
| Accounts payable                                      | \$217,645  | \$8,209                   | \$ 177,790                    | \$—  | \$403,644    |
| Accrued liabilities                                   | 145,962  | 57,375                    | 68,666                        | (31 )  | 271,972      |
| Notes payable   | —  | —                         | 26,216                        | —  | 26,216       |
| Accounts Receivable Securitization<br>Facility        | —  | —                         | 173,836                       | —  | 173,836      |
| Total current liabilities                             | 363,607  | 65,584                    | 446,508                       | (31 )  | 875,668      |
| Long-term debt  | 1,317,500  | —                         | —                             | —  | 1,317,500    |
| Pension and postretirement benefits                   | 433,490  | —                         | 12,777                        | —  | 446,267      |
| Payables to related entities                          | 4,835,465  | 2,582,287                 | 1,281,957                     | (8,699,709 )                                 | —            |
| Other noncurrent liabilities                          | 81,379   | 10,977                    | 13,043                        | —  | 105,399      |
| Total liabilities                                     | 7,031,441  | 2,658,848                 | 1,754,285                     | (8,699,740 )                                 | 2,744,834    |
| Stockholders' equity                                  | 886,866  | 2,386,888                 | 1,514,078                     | (3,900,966 )                                 | 886,866      |
| Total liabilities and stockholders'<br>equity         | \$7,918,307  | \$5,045,736               | \$ 3,268,363                  | \$(12,600,706)                               | \$3,631,700  |

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HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

|   | Condensed Consolidating Statement of Cash Flows |                           |                               |  |              |
|---|---|---------------------------|-------------------------------|--|--------------|
|   | Quarter Ended March 30, 2013                    |                           |                               |  |              |
|   | Parent<br>Company                               | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Entries and<br>Eliminations | Consolidated |
| Net cash provided by (used in) operating activities       | \$(38,387 )                                     | \$24,958                  | \$ 60,034                     | \$(125,676 )                                 | \$(79,071 )  |
| Investing activities:                                     |   |                           |                               |  |              |
| Capital expenditures                                      | (117 )  | (1,088 )                  | (5,325 )                      | —  | (6,530 )     |
| Net cash provided by (used in) investing activities       | (117 )  | (1,088 )                  | (5,325 )                      | —  | (6,530 )     |
| Financing activities:                                     |   |                           |                               |  |              |
| Borrowings on notes payable                               | —   | —                         | 34,210                        | —  | 34,210       |
| Repayments on notes payable                               | —   | —                         | (30,571 )                     | —  | (30,571 )    |
| Borrowings on Accounts Receivable Securitization Facility | —   | —                         | 51,382                        | —  | 51,382       |
| Repayments on Accounts Receivable Securitization Facility | —   | —                         | (65,471 )                     | —  | (65,471 )    |
| Borrowings on Revolving Loan Facility                     | 953,000   | —                         | —                             | —  | 953,000      |
| Repayments on Revolving Loan Facility                     | (835,500 )                                      | —                         | —                             | —  | (835,500 )   |
| Proceeds from stock options exercised                     | 4,406   | —                         | —                             | —  | 4,406        |
| Other   | 598   | —                         | (247 )                        | (4 )   | 347          |
| Net transactions with related entities                    | (85,339 )                                       | (24,038 )                 | (16,303 )                     | 125,680                                      | —            |
| Net cash provided by (used in) financing activities       | 37,165  | (24,038 )                 | (27,000 )                     | 125,676                                      | 111,803      |
| Effect of changes in foreign exchange rates on cash       | —   | —                         | (453 )                        | —  | (453 )       |
| Increase (decrease) in cash and cash equivalents          | (1,339 )  | (168 )                    | 27,256                        | —  | 25,749       |
| Cash and cash equivalents at beginning of year            | 5,617   | 1,919                     | 35,260                        | —  | 42,796       |
| Cash and cash equivalents at end of period                | \$4,278   | \$1,751                   | \$ 62,516                     | \$—  | \$68,545     |

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## HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)

(dollars and shares in thousands, except per share data)

(unaudited)

|   | Condensed Consolidating Statement of Cash Flows<br>Quarter Ended March 31, 2012 |                           |                               |  |              |
|---|---|---------------------------|-------------------------------|--|--------------|
|   | Parent<br>Company   | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Entries and<br>Eliminations | Consolidated |
| Net cash provided by (used in) operating activities       | \$12,631  | \$(3,743)                 | \$ (38,267)                   | \$(64,736)                                   | \$(94,115)   |
| Investing activities:                                     |   |                           |                               |  |              |
| Capital expenditures                                      | (1,368)   | (2,181)                   | (5,467)                       | —  | (9,016)      |
| Net cash used in investing activities                     | (1,368)   | (2,181)                   | (5,467)                       | —  | (9,016)      |
| Financing activities:                                     |   |                           |                               |  |              |
| Borrowings on notes payable                               | —   | —                         | 20,671                        | —  | 20,671       |
| Repayments on notes payable                               | —   | —                         | (42,217)                      | —  | (42,217)     |
| Borrowings on Accounts Receivable Securitization Facility | —   | —                         | 56,802                        | —  | 56,802       |
| Repayments on Accounts Receivable Securitization Facility | —   | —                         | (60,365)                      | —  | (60,365)     |
| Borrowings on Revolving Loan Facility                     | 804,000   | —                         | —                             | —  | 804,000      |
| Repayments on Revolving Loan Facility                     | (676,000)   | —                         | —                             | —  | (676,000)    |
| Proceeds from stock options exercised                     | 323   | —                         | —                             | —  | 323          |
| Other   | (823)   | —                         | (247)                         | —  | (1,070)      |
| Net transactions with related entities                    | (137,964)   | 4,978                     | 68,250                        | 64,736                                       | —            |
| Net cash provided by (used in) financing activities       | (10,464)  | 4,978                     | 42,894                        | 64,736                                       | 102,144      |
| Effect of changes in foreign exchange rates on cash       | —   | —                         | 242                           | —  | 242          |
| Increase (decrease) in cash and cash equivalents          | 799   | (946)                     | (598)                         | —  | (745)        |
| Cash and cash equivalents at beginning of year            | 8,330   | 2,726                     | 24,289                        | —  | 35,345       |
| Cash and cash equivalents at end of period                | \$9,129   | \$1,780                   | \$ 23,691                     | \$—  | \$34,600     |

## (13) Subsequent Events

As part of the Company's cash deployment strategy, in April 2013 the Company's Board of Directors authorized a regular quarterly dividend of \$0.20 per share to be paid June 3, 2013 to stockholders of record at the close of business on May 20, 2013.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis of financial condition and results of operations, or MD&A, contains forward-looking statements that involve risks and uncertainties. Please see "Forward-Looking Statements" in this Quarterly Report on Form 10-Q for a discussion of the uncertainties, risks and assumptions associated with these statements. This discussion should be read in conjunction with our historical financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q. The unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with our audited consolidated financial statements and notes for the year ended December 29, 2012, which were included in our Annual Report on Form 10-K filed with the SEC. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those included elsewhere in this Quarterly Report on Form 10-Q and those included in the "Risk Factors" section and elsewhere in our Annual Report on Form 10-K for the year ended December 29, 2012.

Overview

We are a consumer goods company with a portfolio of leading apparel brands, including Hanes, Champion, Bali, Playtex, Just My Size, L'eggs, barely there, Wonderbra, Gear for Sports, Zorba, Sol y Oro and Rinbros. We design, manufacture, source and sell a broad range of basic apparel such as T-shirts, bras, panties, men's underwear, kids' underwear, casualwear, activewear, socks and hosiery.

Our operations are managed and reported in four operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Activewear, Direct to Consumer and International. In the first quarter of 2013 we renamed the Outerwear segment to Activewear to reflect the trend of this category becoming a part of consumers' active lifestyles and more aptly describe the competitive space of this business. These segments are organized principally by product category, geographic location and distribution channel. Each segment has its own management that is responsible for the operations of the segment's businesses, but the segments share a common supply chain and media and marketing platforms. In the first quarter of 2013, we decided to revise the manner in which we allocate certain selling, general and administrative expenses. Certain prior-year segment operating profit disclosures have been revised to conform to the current-year presentation.

In May 2012, we sold our European imagewear business and completed the discontinuation of our private-label and Outer Banks domestic imagewear operations which served wholesalers that sell to the screen-print industry. As a result of these actions, the prior-year disclosures reflect these operations as discontinued operations.

1st Quarter Highlights

Key quarterly financial highlights include:

Total net sales in the first quarter of 2013 were \$945 million, compared with \$973 million in the same quarter of 2012, representing a 3% decrease.

Operating profit was \$85 million in the first quarter of 2013, compared with \$11 million in the same quarter of 2012.

As a percentage of sales, operating profit was 9.0% in the first quarter of 2013 compared to 1.1% in the same quarter of 2012.

Diluted earnings per share was \$0.51 in the first quarter of 2013, compared with diluted loss per share from continuing operations of \$(0.25) in the same quarter of 2012.

Net sales for the first quarter were hampered by a sluggish retail environment as a result of delayed U.S. federal income tax refunds and inclement weather, which reduced store traffic and overall consumer spending. We continue to secure net space gains at retailers through our Innovate-to-Elevate platforms, which integrate the strengths of our iconic brands, low-cost supply chain and product innovation. The quarter's operating profit margin expanded significantly, benefitting from an improved cotton-cost and product-pricing environment and our Innovate-to-Elevate margin-enhancement initiatives.

Outlook

For the full-year 2013, we expect net sales of approximately \$4.6 billion, operating profit of \$500 million to \$550 million, diluted earnings per share of \$3.25 to \$3.40 and operating cash flows of \$400 million to \$500 million. We intend to increase our overall media investment in 2013 by \$30 million to \$40 million, of which more than two-thirds

will occur in the second half.

We typically use cash for the first half of the year and generate most of our cash flow in the second half of the year. In 2013, we expect to complete our planned debt reduction with the redemption of the remaining \$250 million of 8% Senior

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Notes. We expect our cash deployment strategy in the future will include a mix of dividends, bolt-on acquisitions and share repurchases. For example, as part of our cash deployment strategy, in April 2013 our Board of Directors authorized a regular quarterly dividend of \$0.20 per share to be paid June 3, 2013 to stockholders of record at the close of business on May 20, 2013. The quarterly dividend is the first for us since our spinoff as an independent public company in 2006.

Seasonality and Other Factors

Our operating results are subject to some variability due to seasonality and other factors. Generally, our diverse range of product offerings helps mitigate the impact of seasonal changes in demand for certain items. We generally have higher sales during back-to-school shopping and holiday shopping seasons and during periods of cooler weather, which benefits certain product categories such as fleece. Sales levels in any period are also impacted by customers' decisions to increase or decrease their inventory levels in response to anticipated consumer demand. Our customers may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice to us. Media, advertising and promotion expenses may vary from period to period during a fiscal year depending on the timing of our advertising campaigns for retail selling seasons and product introductions.

Although the majority of our products are replenishment in nature and tend to be purchased by consumers on a planned, rather than on an impulse, basis, our sales are impacted by discretionary spending by consumers.

Discretionary spending is affected by many factors, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, taxation, gasoline prices, unemployment trends and other matters that influence consumer confidence and spending. Many of these factors are outside our control. Consumers' purchases of discretionary items, including our products, could decline during periods when disposable income is lower, when prices increase in response to rising costs, or in periods of actual or perceived unfavorable economic conditions. These consumers may choose to purchase fewer of our products or to purchase lower-priced products of our competitors in response to higher prices for our products, or may choose not to purchase our products at prices that reflect our price increases that become effective from time to time. Changes in product sales mix can impact our gross profit as the percentage of our sales attributable to higher margin products, such as intimate apparel and men's underwear, and lower margin products, such as casualwear and activewear, fluctuate from time to time. In addition, sales attributable to higher and lower margin products within the same product category fluctuate from time to time. Our customers may change the mix of products ordered with minimal notice to us, which makes trends in product sales mix difficult to predict. However, certain changes in product sales mix are seasonal in nature, as sales of socks, hosiery and fleece products generally have higher sales during the last two quarters (July to December) of each fiscal year as a result of cooler weather, back-to-school shopping and holidays, while other changes in product mix may be attributable to customers' preferences and discretionary spending.

Condensed Consolidated Results of Operations — First Quarter Ended March 30, 2013 Compared with First Quarter Ended March 31, 2012

|   | Quarter Ended          |                   | Higher<br>(Lower) | Percent<br>Change |    |
|---|------------------------|-------------------|-------------------|-------------------|----|
|   | March 30,<br>2013      | March 31,<br>2012 |                   |                   |    |
|   | (dollars in thousands) |                   |                   |                   |    |
| Net sales   | \$945,461              | \$973,133         | \$(27,672)        | (2.8)             | )% |
| Cost of sales   | 618,162                | 718,019           | (99,857)          | (13.9)            | )  |
| Gross profit  | 327,299                | 255,114           | 72,185            | 28.3              |    |
| Selling, general and administrative expenses                                    | 242,156                | 244,469           | (2,313)           | (0.9)             | )  |
| Operating profit  | 85,143                 | 10,645            | 74,498            | 699.8             |    |
| Other expenses  | 464                    | 645               | (181)             | (28.1)            | )  |
| Interest expense, net   | 25,623                 | 36,995            | (11,372)          | (30.7)            | )  |
| Income (loss) from continuing operations before<br>income tax expense (benefit) | 59,056                 | (26,995)          | ) 86,051          | NM                |    |

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|   |          |           |            |    |
|---|----------|-----------|------------|----|
| Income tax expense (benefit)                  | 7,677    | (2,724    | ) 10,401   | NM |
| Income (loss) from continuing operations      | 51,379   | (24,271   | ) 75,650   | NM |
| Loss from discontinued operations, net of tax | —        | (2,559    | ) 2,559    | NM |
| Net income (loss)                             | \$51,379 | \$(26,830 | ) \$78,209 | NM |

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## Net Sales

Net sales for the first quarter were hampered by a sluggish retail environment as a result of delayed U.S. federal income tax refunds and inclement weather, which reduced store traffic and overall consumer spending. We continue to secure net space gains at retailers through our Innovate-to-Elevate platforms, which integrate the strengths of our iconic brands, low-cost supply chain and product innovation. The lower net sales primarily resulted from the following:

- Lower net sales in our branded printwear product category from the planned reduction of commodity-oriented branded printwear sales to the screen-print industry.

- Lower net sales in our intimate apparel product category primarily due to lower net sales of panties and hosiery as a result of lower unit sales volume, partially offset by higher net sales of bras driven by space gains.

- Lower net sales in the International segment primarily due to an unfavorable impact of foreign exchange rates.

- Higher net sales in our retail activewear product category as a result of space gains and higher unit sales volume.

## Gross Profit

As a percentage of net sales, our gross profit was 34.6% in the first quarter of 2013 compared to 26.2% in the first quarter of 2012. The higher gross margin resulted from an improved cotton-cost and product-pricing environment and efficiency savings from our supply chain, partially offset by lower sales volume.

## Selling, General and Administrative Expenses

The lower selling, general and administrative expenses were primarily attributable to lower non-media related media, advertising and promotion (“MAP”) expenses and lower distribution expenses, partially offset by higher media related MAP expenses as we continue to restore spending to support our product innovations. As a percentage of net sales, our selling, general and administrative expenses were 25.6% in the first quarter of 2013 compared to 25.1% in the first quarter of 2012.

## Other Highlights

Interest Expense - lower by \$11 million in the first quarter of 2013 compared to the first quarter of 2012 primarily due to lower outstanding debt balances and lower weighted average interest rate. Our weighted average interest rate on our outstanding debt was 5.46% during the first quarter of 2013, compared to 5.75% in the first quarter of 2012.

Income Tax Expense – our effective income tax rate for continuing operations was 13% and 10% for the first quarter of 2013 and the first quarter of 2012, respectively. The higher effective income tax rate was primarily attributable to a higher proportion of earnings attributed to domestic subsidiaries, which are taxed at rates higher than foreign subsidiaries, partially offset by an income tax benefit of approximately \$6 million in the quarter ended March 30, 2013 related to the retroactive application of the American Taxpayer Relief Act of 2012 that was signed into law in January 2013.

Operating Results by Business Segment — First Quarter Ended March 30, 2013 Compared with First Quarter Ended March 31, 2012

|                    | Net Sales              |                   | Operating Profit (Loss) |                   |
|--------------------|------------------------|-------------------|-------------------------|-------------------|
|                    | Quarter Ended          |                   | Quarter Ended           |                   |
|                    | March 30,<br>2013      | March 31,<br>2012 | March 30,<br>2013       | March 31,<br>2012 |
|                    | (dollars in thousands) |                   |                         |                   |
| Innerwear          | \$497,025              | \$509,038         | \$89,742                | \$53,208          |
| Activewear         | 267,186                | 272,564           | 21,309                  | (18,678 )         |
| Direct to Consumer | 80,083                 | 84,713            | 132                     | (761 )            |
| International      | 101,167                | 106,818           | 2,282                   | 4,899             |
| Corporate          | —                      | —                 | (28,322 )               | (28,023 )         |
| Total              | \$945,461              | \$973,133         | \$85,143                | \$10,645          |

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## Innerwear

|                          | Quarter Ended          |                   | Higher<br>(Lower) | Percent<br>Change |    |
|--------------------------|------------------------|-------------------|-------------------|-------------------|----|
|                          | March 30,<br>2013      | March 31,<br>2012 |                   |                   |    |
|                          | (dollars in thousands) |                   |                   |                   |    |
| Net sales                | \$497,025              | \$509,038         | \$(12,013         | ) (2.4            | )% |
| Segment operating profit | 89,742                 | 53,208            | 36,534            | 68.7              |    |

The lower net sales in our Innerwear segment primarily resulted from the following:

Lower net sales in our intimate apparel product category (5%) primarily due to lower net sales of panties and hosiery, partially offset by higher net sales of bras driven by space gains. The lower net sales of panties and hosiery were primarily the result of lower unit sales volume.

Lower net sales in our kids' underwear category (10%) primarily resulting from lower unit sales volume.

Men's underwear category sales were slightly higher due to space gains and higher unit sales volume offset by a decrease in product pricing.

Higher net sales in our socks category (5%), primarily due to space gains.

The higher Innerwear segment operating profit was primarily due to lower input costs, particularly cotton, and efficiency savings related to our supply chain optimization, partially offset by lower sales volume and lower media related MAP expenses.

## Activewear

|                                 | Quarter Ended          |                   | Higher<br>(Lower) | Percent<br>Change |    |
|---------------------------------|------------------------|-------------------|-------------------|-------------------|----|
|                                 | March 30,<br>2013      | March 31,<br>2012 |                   |                   |    |
|                                 | (dollars in thousands) |                   |                   |                   |    |
| Net sales                       | \$267,186              | \$272,564         | \$(5,378          | ) (2.0            | )% |
| Segment operating profit (loss) | 21,309                 | (18,678           | ) 39,987          | NM                |    |

Activewear net sales declined 2% due to a \$15 million planned reduction of commodity-oriented branded printwear sales to the screen-print industry. Excluding the impact of the planned reduction, Activewear net sales increased 4%.

Net sales were additionally impacted by the following:

Higher net sales in our retail activewear category (6%), primarily due to space gains and higher unit sales volume.

Retail Hanes net sales increased by 24% and retail Champion and C9 by Champion increased by 2%.

Lower net sales in our Gear for Sports licensed apparel (3%), primarily due to lower unit sales volume.

The higher Activewear segment operating profit was primarily due to lower input costs, particularly cotton, and efficiency savings related to our supply chain optimization.

## Direct to Consumer

|                                 | Quarter Ended          |                   | Higher<br>(Lower) | Percent<br>Change |    |
|---------------------------------|------------------------|-------------------|-------------------|-------------------|----|
|                                 | March 30,<br>2013      | March 31,<br>2012 |                   |                   |    |
|                                 | (dollars in thousands) |                   |                   |                   |    |
| Net sales                       | \$80,083               | \$84,713          | \$(4,630          | ) (5.5            | )% |
| Segment operating profit (loss) | 132                    | (761              | ) 893             | NM                |    |

Due to the sluggish retail environment as a result of delayed U.S. federal income tax refunds and inclement weather, traffic into our outlet stores was impacted resulting in lower net sales in these stores. Comparable store sales were 6% lower in the first quarter of 2013 compared to 2012.

The higher Direct to Consumer segment operating profit was primarily due to lower product costs, partially offset by lower sales volume.



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## International

|                          | Quarter Ended                               |                   | Higher<br>(Lower) | Percent<br>Change |    |
|--------------------------|---|-------------------|-------------------|-------------------|----|
|                          | March 30,<br>2013<br>(dollars in thousands) | March 31,<br>2012 |                   |                   |    |
| Net sales                | \$101,167                                   | \$106,818         | \$(5,651          | ) (5.3            | )% |
| Segment operating profit | 2,282                                       | 4,899             | (2,617            | ) (53.4           | )  |

Lower net sales in the International segment were primarily due to the unfavorable impact of foreign exchange rates. Excluding the unfavorable impact of foreign exchange rates, International segment net sales were 1% higher, primarily due to space gains in Asia, partially offset by lower net sales in Canada which have been impacted by the transition in the retail landscape.

The lower International segment operating profit was primarily due to an unfavorable impact related to foreign currency exchange rates, converting our India business to a licensed business model and the retail landscape changes in Canada.

## General Corporate Expenses

General corporate expenses were flat in the first quarter of 2013 compared to the first quarter of 2012.

## Liquidity and Capital Resources

## Trends and Uncertainties Affecting Liquidity

Our primary sources of liquidity are cash generated by operations and availability under the \$600 million revolving credit facility (the "Revolving Loan Facility") under the senior secured credit facility (the "Senior Secured Credit Facility"), the accounts receivable securitization facility (the "Accounts Receivable Securitization Facility") and our international loan facilities. At March 30, 2013, we had \$402 million of borrowing availability under our Revolving Loan Facility (after taking into account outstanding letters of credit), \$113 million of borrowing availability under our international loan facilities, \$69 million in cash and cash equivalents and no borrowing availability under our Accounts Receivable Securitization Facility. We currently believe that our existing cash balances and cash generated by operations, together with our available credit capacity, will enable us to comply with the terms of our indebtedness and meet foreseeable liquidity requirements.

In 2013, we expect to complete our planned debt reduction with the redemption of the remaining \$250 million of 8% Senior Notes. We expect our cash deployment strategy in the future will include a mix of dividends, share repurchases and bolt-on acquisitions which leverage our global supply chain, our consumer expertise and our Innovate-to-Elevate strategy. For example, as part of our cash deployment strategy, in April 2013 our Board of Directors authorized a regular quarterly dividend of \$0.20 per share to be paid June 3, 2013 to stockholders of record at the close of business on May 20, 2013. The quarterly dividend is the first for us since our spinoff as an independent public company in 2006.

## Cash Requirements for Our Business

We rely on our cash flows generated from operations and the borrowing capacity under our Revolving Loan Facility, Accounts Receivable Securitization Facility and international loan facilities to meet the cash requirements of our business. The primary cash requirements of our business are payments to vendors in the normal course of business, capital expenditures, maturities of debt and related interest payments, contributions to our pension plans and repurchases of our stock. We believe we have sufficient cash and available borrowings for our foreseeable liquidity needs.

There have been no significant changes in the cash requirements for our business from those described in our Annual Report on Form 10-K for the year ended December 29, 2012.

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## Sources and Uses of Our Cash

The information presented below regarding the sources and uses of our cash flows for the quarters ended March 30, 2013 and March 31, 2012 was derived from our condensed consolidated financial statements.

|  | Quarter Ended          |                   |
|--|------------------------|-------------------|
|  | March 30,<br>2013      | March 31,<br>2012 |
|  | (dollars in thousands) |                   |
| Operating activities   | \$ (79,071 )           | \$ (94,115 )      |
| Investing activities   | (6,530 )               | (9,016 )          |
| Financing activities   | 111,803                | 102,144           |
| Effect of changes in foreign currency exchange rates on cash | (453 )                 | 242               |
| Increase (decrease) in cash and cash equivalents             | 25,749                 | (745 )            |
| Cash and cash equivalents at beginning of year               | 42,796                 | 35,345            |
| Cash and cash equivalents at end of period                   | \$68,545               | \$34,600          |

The lower net cash used in operating activities in the quarter ended March 30, 2013 is primarily attributable to higher net income, partially offset by higher working capital, primarily inventory compared to prior year. We typically build inventory unit levels in the first quarter to support the back-to-school shopping season. Inventory decreased 17% compared to the quarter ended March 31, 2012, which was the result of lower input costs and lower units from our continued focus on inventory management.

The lower net cash used in investing activities in the quarter ended March 30, 2013 resulted from lower net capital expenditures. The higher net cash from financing activities during the quarter was primarily the result of higher net borrowings on our loan facilities and proceeds from stock options exercised.

## Financing Arrangements

In March 2013, we amended the Accounts Receivable Securitization Facility. This amendment decreased certain fee rates and extended the termination date to March 2014.

As of March 30, 2013, we were in compliance with all financial covenants under our credit facilities. We expect to maintain compliance with our covenants for the foreseeable future, however economic conditions or the occurrence of events discussed under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 29, 2012 or other SEC filings could cause noncompliance.

In February 2013, Moody’s Investors Service (“Moody’s”) upgraded our corporate credit rating to Ba2 from Ba3. Moody’s also raised the rating on our Revolving Loan Facility to Baa2 from Baa3, the 6.375% Senior Notes to Ba3 from B1 and the 8% Senior Notes to Ba3 from B1. Moody’s indicated that the upgrade reflects our significant debt reduction efforts and our positive trends in operating performance in the second half of 2012 primarily reflecting improved gross margins. In April 2013, Standard & Poor’s Ratings Services (“Standard & Poor’s”) raised our corporate credit rating to BB from BB-, in response to our declining debt levels and modest earnings growth. Standard & Poor’s also raised the rating on the Revolving Loan Facility to BBB- from BB+, the 6.375% Senior Notes to BB from BB- and the 8% Senior Notes to BB from BB-.

There have been no other significant changes in the financing arrangements from those described in our Annual Report on Form 10-K for the year ended December 29, 2012.

## Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements within the meaning of Item 303(a)(4) of SEC Regulation S-K.

## Critical Accounting Policies and Estimates

We have chosen accounting policies that we believe are appropriate to accurately and fairly report our operating results and financial condition in conformity with accounting principles generally accepted in the United States. We apply these accounting policies in a consistent manner. Our significant accounting policies are discussed in Note 2, titled “Summary of Significant Accounting Policies,” to our financial statements included in our Annual Report on Form 10-K for the year ended December 29, 2012.

The application of critical accounting policies requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. These estimates and assumptions are based on

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historical and other factors believed to be reasonable under the circumstances. We evaluate these estimates and assumptions on an ongoing basis and may retain outside consultants to assist in our evaluation. If actual results ultimately differ from previous estimates, the revisions are included in results of operations in the period in which the actual amounts become known. The critical accounting policies that involve the most significant management judgments and estimates used in preparation of our financial statements, or are the most sensitive to change from outside factors, are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 29, 2012. There have been no material changes in these policies during the quarter ended March 30, 2013.

Recently Issued Accounting Pronouncements

Presentation of Comprehensive Income

In February 2013, the FASB issued a new rule related to the reporting of amounts reclassified out of accumulated other comprehensive income that requires entities to report, either on their income statement or in a footnote to their financial statements, the effects on earnings from items that are reclassified out of other comprehensive income. The new accounting rules were effective for us in the first quarter of 2013. The adoption of the new accounting rules did not have a material effect on our financial condition, results of operations or cash flows.

Disclosures About Offsetting Assets and Liabilities

In December 2011, the FASB issued new accounting rules related to new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The new rules are effective for us in the first quarter of 2014 with retrospective application required. We do not expect the adoption of the new accounting rules to have a material effect on our financial condition, results of operations or cash flows.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no significant changes in our market risk exposures from those described in Item 7A of our Annual Report on Form 10-K for the year ended December 29, 2012.

Item 4. Controls and Procedures

As required by Exchange Act Rule 13a-15(b), our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective. In connection with the evaluation required by Exchange Act Rule 13a-15(d), our management, including our Chief Executive Officer and Chief Financial Officer, concluded that no changes in our internal control over financial reporting occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II

Item 1. Legal Proceedings

Although we are subject to various claims and legal actions that occur from time to time in the ordinary course of our business, we are not party to any pending legal proceedings that we believe could have a material adverse effect on our business, results of operations, financial condition or cash flows.

Item 1A. Risk Factors

No updates to report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed in the accompanying Exhibit Index are filed or furnished as part of this Quarterly Report on Form 10-Q.



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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HANESBRANDS INC.

By: /s/ Richard D. Moss  
Richard D. Moss  
Chief Financial Officer  
(Duly authorized officer and principal financial officer)

Date: April 24, 2013

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INDEX TO EXHIBITS

| Exhibit<br>Number | Description  |
|-------------------|--|
| 3.1               | Articles of Amendment and Restatement of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).  |
| 3.2               | Articles Supplementary (Junior Participating Preferred Stock, Series A) (incorporated by reference from Exhibit 3.2 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).  |
| 3.3               | Amended and Restated Bylaws of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2008).  |
| 10.1              | Amendment No. 10 dated as of March 15, 2013 among Hanesbrands Inc., HBI Receivables LLC, Regency Assets Limited, as assignee of HSBC Bank PLC, and PNC Bank, N.A., as committed purchasers, Regency Assets Limited, as assignee of Bryant Park Funding LLC, and Market Street Funding LLC, as conduit purchasers, HSBC Securities (USA) Inc. and PNC Bank, N.A., as managing agents, and HSBC Securities (USA) Inc., as assignee of JPMorgan Chase Bank, N.A., as agent, to the Receivables Purchase Agreement dated as of November 27, 2007 (incorporated by reference from Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 19, 2013). † |
| 10.2              | Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2013).*  |
| 10.3              | Form of Severance/Change in Control Agreement entered into by and between Hanesbrands Inc. and certain of its executive officers prior to December 2010 and schedule of all such agreements with current executive officers.*  |
| 10.4              | Form of Severance/Change in Control Agreement entered into by and between Hanesbrands Inc. and certain of its executive officers after December 2010 and schedule of all such agreements with current executive officers*  |
| 31.1              | Certification of Richard A. Noll, Chief Executive Officer.   |
| 31.2              | Certification of Richard D. Moss, Chief Financial Officer.   |
| 32.1              | Section 1350 Certification of Richard A. Noll, Chief Executive Officer.  |
| 32.2              | Section 1350 Certification of Richard D. Moss, Chief Financial Officer.  |
| 101.INS XBRL      | Instance Document  |
| 101.SCH XBRL      | Taxonomy Extension Schema Document   |

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101.CAL XBRL Taxonomy Extension Calculation Linkbase Document  
101.LAB XBRL Taxonomy Extension Label Linkbase Document  
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document  
101.DEF XBRL Taxonomy Extension Definition Linkbase Document

\* Agreement relates to executive compensation.

† Portions of this exhibit were redacted pursuant to a confidential treatment request filed with the Secretary of the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

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