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 July 4, 2009

or

o **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 *(State of incorporation)*	**20-3552316** *(I.R.S. employer identification no.)*
1000 East Hanes Mill Road **Winston-Salem, North Carolina** *(Address of principal executive office)*	**27105** *(Zip code)*

(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 o

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 o No o

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.

Large accelerated filer ☑	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of August 3, 2009, there were 94,739,884 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 appear in this Quarterly Report on Form 10-Q include the *Hanes*, *Champion*, *C9 by Champion*, *Playtex*, *Bali*, *L'eggs*, *Just My Size*, *barely there*, *Wonderbra*, *Stedman*, *Outer Banks*, *Zorba*, *Rinbros* and *Duofold* 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.

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, information appearing under "Management's Discussion and Analysis of Financial Condition and Results of Operations" includes 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 and expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or 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 January 3, 2009, particularly under the caption "Risk Factors."

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 January 3, 2009, particularly under the caption "Risk Factors." We undertake no obligation to update or revise forward-looking statements 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 special 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 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 Web site at 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 (in the "Investors" section) copies of materials we file with, or furnish to, the SEC. By referring to our Web site, www.hanesbrands.com, we do not incorporate our Web site or its contents into this Quarterly Report on Form 10-Q.

PART I

Item 1. ***Financial Statements***

HANESBRANDS INC.

Condensed Consolidated Statements of Income
(in thousands, except per share amounts)
(unaudited)

	Quarter Ended		Six Months Ended	
	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Net sales	$ 986,022	$ 1,072,171	$ 1,843,863	$ 2,060,018
Cost of sales	658,631	691,215	1,258,596	1,334,098
Gross profit	327,391	380,956	585,267	725,920
Selling, general and administrative expenses	230,699	266,427	453,937	521,039
Restructuring	12,544	1,442	31,215	4,000
Operating profit	84,148	113,087	100,115	200,881
Other expenses	168	—	4,114	—
Interest expense, net	44,807	37,635	81,607	78,029
Income before income tax expense	39,173	75,452	14,394	122,852
Income tax expense	8,618	18,108	3,167	29,484
Net income	$ 30,555	$ 57,344	$ 11,227	$ 93,368
Earnings per share:				
Basic	$ 0.32	$ 0.61	$ 0.12	$ 0.99
Diluted	$ 0.32	$ 0.60	$ 0.12	$ 0.97
Weighted average shares outstanding:				
Basic	95,023	94,355	94,724	94,395
Diluted	96,167	96,059	95,607	95,839

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS INC.

Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)
(unaudited)

	July 4, 2009	January 3, 2009
Assets		
Cash and cash equivalents	$ 47,561	$ 67,342
Trade accounts receivable less allowances of $23,649 at July 4, 2009 and $21,897 at January 3, 2009	505,302	404,930
Inventories	1,234,543	1,290,530
Deferred tax assets and other current assets	325,111	347,523
Total current assets	2,112,517	2,110,325
Property, net	617,072	588,189
Trademarks and other identifiable intangibles, net	141,668	147,443
Goodwill	322,002	322,002
Deferred tax assets and other noncurrent assets	382,832	366,090
Total assets	$ 3,576,091	$ 3,534,049
Liabilities and Stockholders' Equity		
Accounts payable	$ 288,840	$ 325,518
Accrued liabilities	295,861	315,392
Notes payable	64,013	61,734
Accounts Receivable Securitization Facility	226,000	45,640
Total current liabilities	874,714	748,284
Long-term debt	1,993,930	2,130,907
Other noncurrent liabilities	468,302	469,703
Total liabilities	3,336,946	3,348,894
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 — 94,739,884 at July 4, 2009 and 93,520,132 at January 3, 2009	947	935
Additional paid-in capital	272,722	248,167
Retained earnings	228,750	217,522
Accumulated other comprehensive loss	(263,274)	(281,469)
Total stockholders' equity	239,145	185,155
Total liabilities and stockholders' equity	$ 3,576,091	$ 3,534,049

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS INC.

Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended	
	July 4, 2009	June 28, 2008
Operating activities:		
Net income	$ 11,227	$ 93,368
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	39,448	49,322
Amortization of intangibles	6,181	5,638
Restructuring	(1,554)	(2,631)
Charges incurred for amendments of credit facilities	4,114	—
Amortization of debt issuance costs	4,915	3,015
Stock compensation expense	18,382	15,101
Deferred taxes and other	(7,281)	(7,959)
Changes in assets and liabilities:		
Accounts receivable	(98,093)	31,183
Inventories	59,144	(221,340)
Other assets	18,915	(8,909)
Accounts payable	(36,215)	29,821
Accrued liabilities and other	7,334	(36,571)
Net cash provided by (used in) operating activities	26,517	(49,962)
Investing activities:		
Purchases of property, plant and equipment	(77,816)	(73,550)
Acquisition of business	—	(9,994)
Proceeds from sales of assets	8,779	9,524
Net cash used in investing activities	(69,037)	(74,020)
Financing activities:		
Borrowings on notes payable	818,880	210,016
Repayments on notes payable	(816,676)	(171,346)
Payments to amend credit facilities	(22,165)	(69)
Borrowings on revolving loan facility	949,525	155,000
Repayments on revolving loan facility	(889,525)	(155,000)
Borrowings on Accounts Receivable Securitization Facility	128,009	20,389
Repayments on Accounts Receivable Securitization Facility	(144,626)	(20,389)
Proceeds from stock options exercised	—	382
Stock repurchases	—	(10,860)
Transaction with Sara Lee Corporation	—	18,000
Other	(594)	(590)
Net cash provided by financing activities	22,828	45,533
Effect of changes in foreign exchange rates on cash	(89)	1,131
Decrease in cash and cash equivalents	(19,781)	(77,318)
Cash and cash equivalents at beginning of year	67,342	174,236
Cash and cash equivalents at end of period	$ 47,561	$ 96,918

See accompanying notes to Condensed Consolidated Financial Statements.

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, consisting only of normal recurring adjustments, necessary to present 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. The Company has also evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through August 6, 2009, the day the financial statements were issued.

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.

(2) Recent Accounting Pronouncements

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 became effective for the Company's financial assets and liabilities on December 30, 2007. The FASB approved a one-year deferral of the adoption of SFAS 157 as it relates to non-financial assets and liabilities with the issuance in February 2008 of FASB Staff Position FAS 157-2, Effective Date of FASB Statement No. 157, as a result of which implementation by the Company was required on January 4, 2009. The partial adoption of SFAS 157 in the first quarter ended March 29, 2008 for financial assets and liabilities and the first quarter ended April 4, 2009 for non-financial assets and liabilities had no material impact on the financial condition, results of operations or cash flows of the Company, but resulted in certain additional disclosures reflected in Note 9.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51 ("SFAS 160"). The objective of SFAS 160 is to improve the relevance, comparability and transparency of the financial information that a company provides in its consolidated financial statements. SFAS 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company's equity. It also requires that the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; that changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, that any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. The Company adopted SFAS 160 in the first quarter ended April 4, 2009. The adoption of

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
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SFAS 160 did not have a material impact on the Company's financial condition, results of operations or cash flows.

Disclosures About Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133 ("SFAS 161"). SFAS 161 expands the disclosure requirements of FASB Statement No. 133 about an entity's derivative instruments and hedging activities. The Company adopted SFAS 161 in the first quarter ended April 4, 2009. The adoption of SFAS 161 did not have a material impact on the Company's financial condition, results of operations or cash flows but resulted in certain additional disclosures reflected in Note 8.

Interim Disclosures about Fair Value of Financial Instruments

In April 2009, the FASB issued Staff Position No. 107-1 and Accounting Principal Board Opinion No. 28-1, Interim Disclosures about Fair Value of Financial Instruments ("FSP 107-1"). FSP 107-1 amends FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. This statement also amends Accounting Principal Board Opinion No. 28, Interim Financial Reporting, to require those disclosures in all interim financial statements. FSP 107-1 is effective for interim and annual periods ending after June 15, 2009. Since FSP 107-1 only requires additional disclosures, the adoption of the statement had no material impact on the Company's financial condition, results of operations or cash flows but resulted in certain additional disclosures reflected in Note 9.

Subsequent Events

In May 2009, the FASB issued Statement No. 165, Subsequent Events ("SFAS 165"). SFAS 165 provides guidance on the Company's assessment and disclosure of subsequent events, and clarifies that the Company must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date through the date that the financial statements are issued or are available to be issued for both interim and annual financial reporting periods. SFAS 165 is effective prospectively for the Company's interim and annual periods ending after June 15, 2009. The adoption of the SFAS 165 did not have an impact on the Company's financial condition, results of operations or cash flows but resulted in certain additional disclosures reflected in Note 1.

Employers' Disclosures about Postretirement Benefit Plan Assets

In December 2008, the FASB issued Staff Position No. FAS 132(R)-1, Employers' Disclosures about Postretirement Benefit Plan Assets ("FSP 132(R)-1"). FSP 132(R)-1 expands the disclosure requirements of FASB Statement No. 132(R) to include more detailed disclosures about an employers' plan assets, including employers' investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets, similar to the disclosure requirements of SFAS 157. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009. Since FSP 132(R)-1 only requires additional disclosures, adoption of the statement is not expected to have a material impact on the Company's financial condition, results of operations or cash flows.

Accounting for Transfers of Financial Assets

In June 2009, the FASB issued Statement No. 166, Accounting for Transfers of Financial Assets ("SFAS 166"). SFAS 166 amends the derecognition guidance and the accounting and disclosures required by

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
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FASB Statement No. 140. SFAS 166 is effective for financial asset transfers occurring after the beginning of the Company's first fiscal year that begins after November 15, 2009. The Company is evaluating the impact of adoption of this statement on the financial condition, results of operations and cash flows of the Company.

Amendments to FASB Interpretation No. 46(R)

In June 2009, the FASB issued Statement No. 167, Amendments to FASB Interpretation No. 46(R) ("SFAS 167"). SFAS 167 amends the consolidation guidance that applies to variable interest entities. SFAS 167 is effective for the Company's first fiscal year that begins after November 15, 2009. The Company is evaluating the impact of adoption of this statement on the financial condition, results of operations and cash flows of the Company.

The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162

In June 2009, the FASB issued Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162 ("SFAS 168"). SFAS 168 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

(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 during the quarters and six months ended July 4, 2009 and June 28, 2008. 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 for the quarters and six months ended July 4, 2009 and June 28, 2008 is as follows:

	Quarter Ended		Six Months Ended	
	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Basic weighted average shares	95,023	94,355	94,724	94,395
Effect of potentially dilutive securities:				
Stock options	—	777	—	510
Restricted stock units	1,049	923	730	932
Employee stock purchase plan and other	95	4	153	2
Diluted weighted average shares	96,167	96,059	95,607	95,839

Options to purchase 5,943 and 140 shares of common stock were excluded from the diluted earnings per share calculation because their effect would be anti-dilutive for the quarters ended July 4, 2009 and June 28, 2008, respectively. Options to purchase 5,943 and 1,480 shares of common stock and 48 and 0 restricted stock units were excluded from the diluted earnings per share calculation because their effect would be anti-dilutive for the six months ended July 4, 2009 and June 28, 2008, respectively.

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

(4) Restructuring

Since becoming an independent company, the Company has undertaken a variety of restructuring efforts in connection with its consolidation and globalization strategy designed to improve operating efficiencies and lower costs. As a result of this strategy, the Company expects to incur approximately $250,000 in restructuring and related charges over the three year period following the spin off from Sara Lee Corporation (“Sara Lee”) on September 5, 2006, of which approximately half is expected to be noncash. As of July 4, 2009, the Company has recognized approximately $247,000 and announced approximately $241,000 in restructuring and related charges related to this strategy since September 5, 2006. Of the amounts recognized, approximately $94,000 relates to employee termination and other benefits, approximately $87,000 relates to accelerated depreciation of buildings and equipment for facilities that have been or will be closed, approximately $24,000 relates to noncancelable lease and other contractual obligations, approximately $22,000 relates to write-offs of stranded raw materials and work in process inventory determined not to be salvageable or cost-effective to relocate, approximately $11,000 relates to impairments of fixed assets and approximately $9,000 relates to other exit costs such as equipment moving costs. Accelerated depreciation related to the Company’s manufacturing facilities and distribution centers that have been or will be closed is reflected in the “Cost of sales” and “Selling, general and administrative expenses” lines of the Condensed Consolidated Statements of Income. The write-offs of stranded raw materials and work in process inventory are reflected in the “Cost of sales” line of the Condensed Consolidated Statements of Income.

The reported results for the quarters and six months ended July 4, 2009 and June 28, 2008 reflect amounts recognized for restructuring actions, including the impact of certain actions that were completed for amounts more favorable than previously estimated. The impact of restructuring efforts on income before income tax expense is summarized as follows:

	Quarter Ended		Six Months Ended	
	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Restructuring programs:				
Year ended January 2, 2010 restructuring actions	$ 10,589	$ —	$ 19,244	$ —
Year ended January 3, 2009 restructuring actions	820	2,494	13,875	5,436
Year ended December 29, 2007 restructuring actions	1,096	4,172	3,641	7,028
Six months ended December 30, 2006 and prior restructuring actions	159	(13)	331	(52)
	$ 12,664	$ 6,653	$ 37,091	$ 12,412

The following table illustrates where the costs associated with these actions are recognized in the Condensed Consolidated Statements of Income:

	Quarter Ended		Six Months Ended	
	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Cost of sales	$ (65)	$ 4,633	$ 5,521	$ 7,191
Selling, general and administrative expenses	185	578	355	1,221
Restructuring	12,544	1,442	31,215	4,000
	$ 12,664	$ 6,653	$ 37,091	$ 12,412

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

Components of the restructuring actions are as follows:

	Quarter Ended		Six Months Ended	
	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Accelerated depreciation	$ (39)	$ 5,211	$ 2,629	$ 8,412
Inventory write-offs	159	—	3,247	—
Employee termination and other benefits	9,569	1,362	15,210	3,920
Noncancelable lease and other contractual obligations and other	2,975	80	16,005	80
	$ 12,664	$ 6,653	$ 37,091	$ 12,412

Rollforward of accrued restructuring is as follows:

	Six Months Ended July 4, 2009
Beginning accrual	$ 21,793
Restructuring expenses	32,774
Cash payments	(28,312)
Adjustments to restructuring expenses	(2,489)
Ending accrual	$ 23,766

The accrual balance as of July 4, 2009 is comprised of $19,293 in current accrued liabilities and $4,473 in other noncurrent liabilities. The $19,293 in current accrued liabilities consists of $13,707 for employee termination and other benefits and $5,586 for noncancelable lease and other contractual obligations. The $4,473 in other noncurrent liabilities primarily consists of noncancelable lease and other contractual obligations.

Adjustments to previous estimates resulted from actual costs to settle obligations being lower than expected. The adjustments were reflected in the “Restructuring” line of the Condensed Consolidated Statements of Income.

Year Ended January 2, 2010 Actions

During the six months ended July 4, 2009, the Company approved actions to close three manufacturing facilities and two distribution centers in the Dominican Republic, the United States, Honduras and Canada, and eliminate an aggregate of approximately 2,800 positions in those countries and El Salvador. The production capacity represented by the manufacturing facilities has been relocated to lower cost locations in Asia, Central America and the Caribbean Basin. The distribution capacity has been relocated to the Company’s West Coast distribution center in California in order to expand capacity for goods the Company sources from Asia. In addition, approximately 300 management and administrative positions were eliminated, with the majority of these positions based in the United States. The Company recorded charges of $10,589 and $19,244 in the quarter and six months ended July 4, 2009, respectively, related to these actions. In the quarter and six months ended July 4, 2009, the Company recognized $9,978 and $16,242, respectively, for employee termination and other benefits recognized in accordance with benefit plans previously communicated to the affected employee group, $6 and $1,368, respectively, for noncancelable lease and other contractual obligations related to the closure of certain manufacturing facilities, $15 and $858, respectively, for write-offs of stranded raw materials and work in process inventory determined not to be salvageable or cost-effective to relocate related to the closure of certain manufacturing facilities, $448 and $577, respectively, for other exit costs and $142 and $199, respectively, for accelerated depreciation of buildings and equipment. These charges are reflected in the "Restructuring," "Cost of sales" and "Selling, general and administrative expenses" lines of the Condensed Consolidated Statement of Income. All actions are expected to be completed within a 12-month period.

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

Year Ended January 3, 2009 Actions

During the six months ended July 4, 2009, the Company recognized additional charges, as well as credits for certain actions which were completed for amounts more favorable than previously estimated, associated with facility closures announced in the year ended January 3, 2009, resulting in a decrease of $820 and $13,875 to income before income tax expense for the quarter and six months ended July 4, 2009, respectively. In the quarter and six months ended July 4, 2009, the Company recognized credits of $686 and charges of $7,257, respectively, for noncancelable lease and other contractual obligations associated with plant closures announced in the year ended January 3, 2009, charges of $1,362 and $4,229, respectively, for other exit costs and charges of $144 and $2,389, respectively, for write-offs of stranded raw materials and work in process inventory determined not to be salvageable or cost-effective to relocate related to the closure of certain manufacturing facilities. These charges are reflected in the "Restructuring" and "Cost of sales" lines of the Condensed Consolidated Statements of Income.

(5) Inventories

Inventories consisted of the following:

	July 4, 2009	January 3, 2009
Raw materials	$ 161,784	$ 172,494
Work in process	96,815	116,800
Finished goods	975,944	1,001,236
	$ 1,234,543	$ 1,290,530

(6) Allowances for Trade Accounts Receivable

The changes in the Company's allowance for doubtful accounts and allowance for chargebacks and other deductions for the quarter and six months ended July 4, 2009 are as follows:

	Allowance for Doubtful Accounts	Allowance for Chargebacks and Other Deductions	Total
Balance at January 3, 2009	$ 12,555	$ 9,342	$ 21,897
Charged to expenses	1,301	(481)	820
Deductions and write-offs	(634)	(822)	(1,456)
Balance at April 4, 2009	13,222	8,039	21,261
Charged to expenses	594	2,669	3,263
Deductions and write-offs	33	(908)	(875)
Balance at July 4, 2009	$ 13,849	$ 9,800	$ 23,649

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

Charges to the allowance for doubtful accounts are reflected in the “Selling, general and administrative expenses” line and charges to the allowance for customer chargebacks and other customer deductions are primarily reflected as a reduction in the “Net sales” line of the Condensed Consolidated Statements of Income. Deductions and write-offs, which do not increase or decrease income, represent write-offs of previously reserved accounts receivables and allowed customer chargebacks and deductions against gross accounts receivable.

(7) Debt

The Company had the following debt at July 4, 2009 and January 3, 2009:

	Interest Rate as of July 4, 2009	Principal Amount July 4, 2009	Principal Amount January 3, 2009	Maturity Date
Senior Secured Credit Facility:				
Term A	5.59%	$ 139,000	$ 139,000	September 2012
Term B	5.80%	851,250	851,250	September 2013
Revolving Loan Facility	4.79%	60,000	—	September 2011
Second Lien Credit Facility	4.84%	450,000	450,000	March 2014
Floating Rate Senior Notes	4.59%	493,680	493,680	December 2014
Accounts Receivable Securitization Facility	4.70%	226,000	242,617	April 2010
		2,219,930	2,176,547	
Less current maturities		226,000	45,640	
		$ 1,993,930	$ 2,130,907	

As of July 4, 2009, the Company had $60,000 outstanding under the Senior Secured Credit Facility’s $500,000 Revolving Loan Facility and $25,351 of standby and trade letters of credit issued and outstanding under this facility.

Availability of funding under the Accounts Receivable Securitization Facility depends primarily upon the eligible outstanding receivables balance. The total amount of receivables used as collateral for the Accounts Receivable Securitization Facility was $424,252 and $331,470 at July 4, 2009 and January 3, 2009, respectively, and is reported on the Company’s Condensed Consolidated Balance Sheets in “Trade accounts receivable less allowances.”

On March 10, 2009, the Company entered into a Third Amendment (the “Third Amendment”) to the Senior Secured Credit Facility dated as of September 5, 2006. Pursuant to the Third Amendment, the ratio of debt to EBITDA (earnings before income taxes, depreciation expense and amortization) for the preceding four quarters, or leverage ratio, was increased from 3.75 to 1 in the first quarter of 2009 to 4.25 to 1, from 3.5 to 1 in the second quarter of 2009 to 4.2 to 1, from 3.25 to 1 in the third quarter of 2009 to 3.95 to 1, and from 3.0 to 1 in the fourth quarter of 2009 to 3.6 to 1. After 2009, the leverage ratio will decrease from 3.6 to 1 until it reaches 3.0 to 1 in the third quarter of 2011. In addition, pursuant to the Third Amendment, the ratio of EBITDA for the preceding four quarters to consolidated interest expense for such period, or interest coverage ratio, was decreased from 3.0 to 1 in the second and third quarters of 2009 to 2.5 to 1 and from 3.25 to 1 in the fourth quarter of 2009 to 2.5 to 1. After 2009, the interest coverage ratio will increase from 2.5 to 1 until it reaches 3.25 to 1 in the third quarter of 2011.

At the Company's option, borrowings under the Senior Secured Credit Facility may be maintained from time to time as (a) "Base Rate" loans, which bear interest at the higher of (i) 1/2 of 1% in excess of the federal funds rate and (ii) the rate published in the Wall Street Journal as the "prime rate" (or equivalent), in each case in effect from time to time, plus the applicable margin in effect from time to time, or (b) LIBOR-based loans, which bear interest at the "LIBO Rate" (as defined in the Senior Secured Credit Facility and adjusted for maximum reserves), for the respective interest period plus the applicable margin in effect from time to time. Pursuant to the Third Amendment, the applicable margins for the Senior Secured Credit Facility were increased by 300 basis points.

The Third Amendment also provides for certain other amendments to the Senior Secured Credit Facility, including increasing the percentage of "Excess Cash Flow" as calculated pursuant to the Senior Secured Credit Facility, which is used to determine whether, and the extent to which, the Company is required in certain circumstances to make certain mandatory prepayments. The Company paid $20,570 in debt amendment fees in connection with entering into the Third Amendment of which $16,792 will be amortized over the term of the Senior Secured Credit Facility.

On March 16, 2009, the Company and HBI Receivables LLC ("HBI Receivables"), a wholly-owned bankruptcy-remote subsidiary of Hanesbrands, entered into Amendment No. 1 (the "First Amendment") to the Accounts Receivable Securitization Facility dated as of November 27, 2007. The Accounts Receivable Securitization Facility contains the same leverage ratio and interest coverage ratio provisions as the Senior Secured Credit Facility. The First Amendment effects the same changes to the leverage ratio and the interest coverage ratio that are effected by the Third Amendment described above. Pursuant to the First Amendment, the rate that would be payable to the conduit purchasers or the committed purchasers party to the Accounts Receivable Securitization Facility in the event of certain defaults is increased from 1% over the prime rate to 3% over the greatest of (i) the one-month LIBO rate plus 1%, (ii) the weighted average rates on federal funds transactions plus 0.5%, or (iii) the prime rate. Also pursuant to the First Amendment, several of the factors that contribute to the overall availability of funding have been amended in a manner that would be expected to generally reduce the amount of funding that will be available under the Accounts Receivable Securitization Facility. The First Amendment also provides for certain other amendments to the Accounts Receivable Securitization Facility, including changing the termination date for the Accounts Receivable Securitization Facility from November 27, 2010 to March 15, 2010, and requiring that HBI Receivables make certain payments to a conduit purchaser, a committed purchaser, or certain entities that provide funding to or are affiliated with them, in the event that assets and liabilities of a conduit purchaser are consolidated for financial and/or regulatory accounting purposes with certain other entities. The Company paid $145 in debt amendment fees in connection with entering into the First Amendment, which will be amortized over the term of the Accounts Receivable Securitization Facility, and wrote off $168 of unamortized debt issuance costs.

On April 13, 2009, the Company and HBI Receivables entered into Amendment No. 2 (the "Second Amendment") to the Accounts Receivable Securitization Facility. Pursuant to the Second Amendment, several of the factors that contribute to the overall availability of funding have been amended in a manner that is expected to generally increase over time the amount of funding that will be available under the Accounts Receivable Securitization Facility as compared to the amount that would be available pursuant to the First Amendment. The Second Amendment also provides for certain other amendments to the Accounts Receivable Securitization Facility, including changing the termination date for the Accounts Receivable Securitization Facility from March 15, 2010 to April 12, 2010. In addition, HSBC Securities (USA) Inc. replaced JPMorgan Chase Bank, N.A. as agent under the Accounts Receivable Securitization Facility, PNC Bank, N.A. replaced JPMorgan Chase Bank, N.A. as a managing agent, and PNC Bank, N.A. and an affiliate of PNC Bank, N.A. replaced affiliates of JPMorgan Chase Bank, N.A. as a committed purchaser and a conduit purchaser, respectively. The Company paid $1,450 in debt amendment fees in connection with entering into the Second

Amendment, which will be amortized over the term of the Accounts Receivable Securitization Facility, and wrote off $168 of unamortized debt issuance costs.

As of July 4, 2009, the Company was in compliance with all covenants under its credit facilities.

During the quarter and six months ended July 4, 2009, the Company recognized charges of $168 and $4,114, respectively, in the “Other expenses” line of the Condensed Consolidated Statements of Income, which represent certain costs related to the amendments of the Senior Secured Credit Facility and the Accounts Receivable Securitization Facility.

(8) Financial Instruments and Risk Management

The Company uses financial instruments to manage its exposures to movements in interest rates, foreign exchange rates and commodity prices. The use of these financial instruments modifies the Company’s exposure to these risks with the goal of reducing the risk or cost to the Company. The Company does not use derivatives for trading purposes and is not a party to leveraged derivative contracts.

The Company recognizes all derivative instruments as either assets or liabilities at fair value in the Condensed Consolidated Balance Sheets. The fair value is based upon either market quotes for actively traded instruments or independent bids for nonexchange traded instruments. The Company formally documents its hedge relationships, including identifying the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking derivatives that are designated as hedges of specific assets, liabilities, firm commitments or forecasted transactions to the hedged risk. On the date the derivative is entered into, the Company designates the derivative as a fair value hedge, cash flow hedge, net investment hedge or a mark to market hedge, and accounts for the derivative in accordance with its designation. The Company also formally assesses, both at inception and at least quarterly thereafter, whether the derivatives are highly effective in offsetting changes in either the fair value or cash flows of the hedged item. If it is determined that a derivative ceases to be a highly effective hedge, or if the anticipated transaction is no longer likely to occur, the Company discontinues hedge accounting, and any deferred gains or losses are recorded in the respective measurement period. The Company currently does not have any fair value or net investment hedge instruments.

Each of the Company’s derivative contracts is governed by the International Swaps and Derivatives Association master agreement. If the Company were to default on or be unable to perform its responsibilities with respect to a counterparty under this agreement, the counterparty could request immediate payment on any derivative instruments in net liability positions. As of July 4, 2009, all of the counterparties to the Company’s derivative instruments in net liability positions are lenders under the Senior Secured Credit Facility. Consistent with the terms of the Senior Secured Credit Facility, derivative instruments with a counterparty that is also a lender under the Senior Secured Credit Facility are secured by the same collateral that secures the Company’s obligations under the Senior Secured Credit Facility.

The Company may be exposed to credit losses in the event of nonperformance by individual counterparties or the entire group of counterparties to the Company’s derivative contracts. Risk of nonperformance by counterparties is mitigated by dealing with highly rated counterparties and by diversifying across counterparties.

Mark to Market Hedges

A derivative used as a hedging instrument whose change in fair value is recognized to act as an economic hedge against changes in the values of the hedged item is designated a mark to market hedge.

Market to Market Hedges — Intercompany Foreign Exchange Transactions

The Company uses foreign exchange derivative contracts to reduce the impact of foreign exchange fluctuations on anticipated intercompany purchase and lending transactions denominated in foreign currencies. Foreign exchange derivative contracts are recorded as mark to market hedges when the hedged item is a recorded asset or liability that is revalued in each accounting period. Mark to market hedge derivatives relating to intercompany foreign exchange contracts are reported in the Condensed Consolidated Statements of Cash Flows as cash flow from operating activities. As of July 4, 2009, the U.S. dollar equivalent of commitments to purchase and sell foreign currencies in our foreign currency mark to market hedge derivative portfolio is $58,808 and $39,758, respectively, using the exchange rate at the reporting date.

Cash Flow Hedges

A hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability is designated as a cash flow hedge. The effective portion of the change in the fair value of a derivative that is designated as a cash flow hedge is recorded in the "Accumulated other comprehensive loss" line of the Condensed Consolidated Balance Sheets. When the impact of the hedged item is recognized in the income statement, the gain or loss included in accumulated other comprehensive income (loss) is reported on the same line in the Condensed Consolidated Statements of Income as the hedged item.

Cash Flow Hedges — Interest Rate Derivatives

The Company is required under the Senior Secured Credit Facility and the Second Lien Credit Facility to hedge a portion of its floating rate debt to reduce interest rate risk caused by floating rate debt issuance. The Company has executed certain interest rate cash flow hedges in the form of swaps and caps in order to mitigate the Company's exposure to variability in cash flows for the future interest payments on a designated portion of borrowings. Given the recent turmoil in the financial and credit markets, the Company expanded its interest rate hedging portfolio at what the Company believes to be advantageous rates that are expected to minimize the Company's overall interest rate risk. The effective portion of interest rate hedge gains and losses deferred in "Accumulated other comprehensive loss" is reclassified into earnings as the underlying debt interest payments are recognized. Interest rate cash flow hedge derivatives are reported as a component of interest expense and therefore are reported as cash flow from operating activities similar to the manner in which cash interest payments are reported in the Condensed Consolidated Statements of Cash Flows.

At July 4, 2009 and January 3, 2009, the Company had outstanding interest rate hedging arrangements whereby it has capped the interest rate on $400,000 of its floating rate debt at 3.50% and has fixed the interest rate on $1,393,680 of its floating rate debt at a weighted average rate of 4.16%. Approximately 81% and 82% of the Company's total debt outstanding at July 4, 2009 and January 3, 2009, respectively, was at a fixed or capped LIBOR rate. There have been no changes in the Company's interest rate derivative portfolio during the quarter and six months ended July 4, 2009.

Cash Flow Hedges — Foreign Currency Derivatives

The Company uses forward exchange and option 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 effective portion of foreign exchange hedge gains and losses deferred in "Accumulated other comprehensive loss" is reclassified into earnings as the underlying inventory is sold, using historical inventory turnover rates. The settlement of foreign exchange hedge derivative contracts related to the purchase of inventory or other hedged items are reported in the Condensed Consolidated Statements of Cash Flows as cash flow from operating activities.

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Notes to Condensed Consolidated Financial Statements — (Continued)
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Historically, the principal currencies hedged by the Company include the Euro, Mexican peso, Canadian dollar and Japanese yen. Forward exchange contracts mature on the anticipated cash requirement date of the hedged transaction, generally within one year. As of July 4, 2009, the U.S. dollar equivalent of commitments to sell foreign currencies in the Company's foreign currency cash flow hedge derivative portfolio was $28,113, using the exchange rate at the reporting date.

Cash Flow Hedges — Commodity Derivatives

Cotton is the primary raw material the Company uses to manufacture many of its products and is purchased at market prices. From time to time, the Company uses commodity financial instruments to hedge the price of cotton, for which there is a high correlation between the hedged item and the hedge instrument. Gains and losses on these contracts are intended to offset losses and gains on the hedged transactions in an effort to reduce the earnings volatility resulting from fluctuating commodity prices. The effective portion of commodity hedge gains and losses deferred in "Accumulated other comprehensive loss" is reclassified into earnings as the underlying inventory is sold, using historical inventory turnover rates. The settlement of commodity hedge derivative contracts related to the purchase of inventory is reported in the Condensed Consolidated Statements of Cash Flows as cash flow from operating activities. There were no amounts outstanding under cotton futures or cotton option contracts at July 4, 2009 and January 3, 2009.

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 July 4, 2009	Fair Value January 3, 2009
Derivative assets — hedges			
Interest rate contracts	Other current assets	$ —	$ 46
Foreign exchange contracts	Other current assets	35	1,209
Total derivative assets — hedges		35	1,255
Derivatives assets — non-hedges			
Foreign exchange contracts	Other current assets	844	3,286
Total derivative assets		$ 879	$ 4,541
Derivatives liabilities — hedges			
Interest rate contracts	Accrued liabilities	$ (2,834)	$ (6,084)
Interest rate contracts	Other noncurrent liabilities	(61,967)	(76,927)
Foreign exchange contracts	Accrued liabilities	(409)	(1,347)
Total derivatives liabilities — hedges		(65,210)	(84,358)
Derivatives liabilities — non-hedges			
Foreign exchange contracts	Accrued liabilities	(1,715)	(533)
Total derivative liabilities		$ (66,925)	$ (84,891)
Net derivative liability		$ (66,046)	$ (80,350)

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Notes to Condensed Consolidated Financial Statements — (Continued)
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Net Derivative Gain or Loss

The effect of cash flow hedge derivative instruments on the Condensed Consolidated Statements of Income and Accumulated Other Comprehensive Loss is as follows:

	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Loss (Effective Portion) Quarter Ended		Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion) Quarter Ended	
	July 4, 2009	June 28, 2008		July 4, 2009	June 28, 2008
Interest rate contracts	$ 6,996	$ 14,383	Interest expense, net	$ 101	$ 198
Foreign exchange contracts	(1,739)	643	Cost of sales	219	920
Commodity contracts	—	126	Cost of sales	—	(433)
Total	$ 5,257	$ 15,152		$ 320	$ 685

	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Loss (Effective Portion) Six Months Ended		Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion) Six Months Ended	
	July 4, 2009	June 28, 2008		July 4, 2009	June 28, 2008
Interest rate contracts	$ 18,012	$ (448)	Interest expense, net	$ 129	$ 371
Foreign exchange contracts	(869)	(1,199)	Cost of sales	(1,113)	1,573
Commodity contracts	—	(208)	Cost of sales	96	(464)
Total	$ 17,143	$ (1,855)		$ (888)	$ 1,480

The Company expects to reclassify into earnings during the next 12 months a net loss from Accumulated Other Comprehensive Loss of approximately $3,172.

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. The Company recognized losses related to ineffectiveness of hedging relationships for the quarter ended July 4, 2009 of $(150), consisting of $(143) for interest rate contracts and $(7) for foreign exchange contracts. The Company recognized gains (losses) related to ineffectiveness of hedging relationships for the quarter ended June 28, 2008 of $4, consisting of $(12) for interest rate contracts and $16 for foreign exchange contracts. The Company recognized gains (losses) related to ineffectiveness of hedging relationships for the six months ended July 4, 2009 of $144, consisting of $152 for interest rate contracts and $(8) for foreign exchange contracts. The Company recognized losses related to ineffectiveness of hedging relationships for the six months ended June 28, 2008 of $(187), consisting of $(12) for interest rate contracts and $(175) for foreign exchange contracts.

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Notes to Condensed Consolidated Financial Statements — (Continued)
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The effect of mark to market hedge derivative instruments on the Condensed Consolidated Statements of Income is as follows:

		Amount of Gain (Loss) Recognized in Income			
		Quarter Ended		Six Months Ended	
	Location of Gain (Loss) Recognized in Income on Derivative	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Foreign exchange contracts	Selling, general and administrative expenses	$ 1,132	$ 284	$ 1,176	$ 356
Total		$ 1,132	$ 284	$ 1,176	$ 356

(9) 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.

Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques:

- Market approach — prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach — amount that would be required to replace the service capacity of an asset or replacement cost.
- Income approach — techniques to convert future amounts to a single present amount based on market expectations, including present value techniques, option-pricing and other models.

The Company primarily applies the market approach for commodity derivatives and the income approach for interest rate and foreign currency derivatives for recurring fair value measurements and attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The determination of fair values incorporates various factors that include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Company's nonperformance risk on its liabilities. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Assets and Liabilities Measured on a Recurring Basis

As of July 4, 2009, the Company held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. These consisted of the Company's derivative instruments related to interest rates and foreign exchange rates. The fair values of cotton derivatives are determined based on quoted prices in public markets and are categorized as Level 1. The fair values of interest rate and foreign exchange rate derivatives are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2. The Company does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the quarter and six months ended July 4, 2009. There were no changes during the quarter and six months ended July 4, 2009 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis. As of July 4, 2009, the Company did not have any non-financial assets or liabilities that are required to be measured at fair value on a recurring basis.

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

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 July 4, 2009		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative contracts, net	$ —	$ (66,046)	$ —
Total	$ —	$ (66,046)	$ —

	Assets (Liabilities) at Fair Value as of January 3, 2009		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative contracts, net	$ —	$ (80,350)	$ —
Total	$ —	$ (80,350)	$ —

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 July 4, 2009 and January 3, 2009. The fair value of debt was $2,090,444 and $1,753,885 as of July 4, 2009 and January 3, 2009 and had a carrying value of $2,219,930 and $2,176,547, 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 approximated fair value as of July 4, 2009 and January 3, 2009, primarily due to the short-term nature of these instruments.

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

(10) Comprehensive Income

The Company's comprehensive income is as follows:

	Quarter Ended		Six Months Ended	
	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Net income	$ 30,555	$ 57,344	$ 11,227	$ 93,368
Translation adjustments	10,791	4,220	8,256	2,690
Net unrealized gain (loss) on qualifying cash flow hedges, net of tax expense (benefit) of $2,170, $6,161, $6,324 and ($146), respectively	3,407	9,677	9,931	(229)
Amounts amortized into net periodic income:				
Prior service cost, net of tax $3, $4, $6 and $8, respectively	4	6	8	12
Actuarial loss, net of tax of $810, $15, $1,620 and $30, respectively	1,271	24	2,542	48
Comprehensive income	$ 46,028	$ 71,271	$ 31,964	$ 95,889

(11) Income Taxes

The difference in the estimated annual effective income tax rates of 22% for the quarter and six months ended July 4, 2009 and 24% for the quarter and six months ended June 28, 2008 and the U.S. statutory rate of 35% is primarily attributable to unremitted earnings of foreign subsidiaries taxed at rates lower than the U.S. statutory rate. The Company's estimated annual effective tax rate reflects its strategic initiative to make substantial capital investments outside the United States in its global supply chain in 2009.

The Company and Sara Lee entered into a tax sharing agreement in connection with the spin off of the Company from Sara Lee on September 5, 2006. Under the tax sharing agreement, within 180 days after Sara Lee filed its final consolidated tax return for the period that included September 5, 2006, Sara Lee was required to deliver to the Company a computation of the amount of deferred taxes attributable to the Company's United States and Canadian operations that would be included on the Company's opening balance sheet as of September 6, 2006 ("as finally determined") which has been done. The Company has the right to participate in the computation of the amount of deferred taxes. Under the tax sharing agreement, if substituting the amount of deferred taxes as finally determined for the amount of estimated deferred taxes that were included on that balance sheet at the time of the spin off causes a decrease in the net book value reflected on that balance sheet, then Sara Lee will be required to pay the Company the amount of such decrease. If such substitution causes an increase in the net book value reflected on that balance sheet, then the Company will be required to pay Sara Lee the amount of such increase. For purposes of this computation, the Company's deferred taxes are the amount of deferred tax benefits (including deferred tax consequences attributable to deductible temporary differences and carryforwards) that would be recognized as assets on the Company's balance sheet computed in accordance with GAAP, but without regard to valuation allowances, less the amount of deferred tax liabilities (including deferred tax consequences attributable to taxable temporary differences) that would be recognized as liabilities on the Company's opening balance sheet computed in accordance with GAAP, but without regard to valuation allowances. Neither the Company nor Sara Lee will be required to make any other payments to the other with respect to deferred taxes.

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The Company's computation of the final amount of deferred taxes for the Company's opening balance sheet as of September 6, 2006 is as follows:

Estimated deferred taxes subject to the tax sharing agreement included in opening balance sheet on September 6, 2006	$ 450,683
Final calculation of deferred taxes subject to the tax sharing agreement	360,460
Decrease in deferred taxes as of opening balance sheet on September 6, 2006	90,223
Preliminary cash installment received from Sara Lee	18,000
Amount due from Sara Lee	$ 72,223

The amount that is expected to be collected from Sara Lee based on the Company's computation of $72,223 is included as a receivable in Deferred tax assets and other current assets in the Condensed Consolidated Balance Sheet as of July 4, 2009. The Company and Sara Lee have exchanged information in connection with this matter, but Sara Lee has disagreed with the Company's computation. In accordance with the dispute resolution provisions of the tax sharing agreement, on August 3, 2009, the Company submitted the dispute to binding arbitration. The Company does not believe that the resolution of this dispute will have a material impact on the Company's financial position, results of operations or cash flows.

(12) Business Segment Information

The Company's operations are managed and reported in five operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Outerwear, International, Hosiery and Other. These segments are organized principally by product category and geographic location. Management of each segment is responsible for the operations of these segments' businesses but shares 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 women's intimate apparel, men's underwear, kids' underwear, socks and thermals. The Company's direct-to-consumer retail operations are included within the Innerwear segment.
- Outerwear sells basic branded products that are seasonal in nature under the product categories of casualwear and activewear.
- International relates to the Latin America, Asia, Canada and Europe geographic locations which sell products that span across the Innerwear, Outerwear and Hosiery reportable segments.
- Hosiery sells products in categories such as pantyhose and knee highs.
- Other is comprised of sales of nonfinished products such as yarn and certain other materials in the United States and Latin America in order to maintain asset utilization at certain manufacturing facilities and are intended to generate break even margins.

The Company evaluates the operating performance of its segments based upon segment operating profit, which is defined as operating profit before general corporate expenses, amortization of trademarks and other identifiable intangibles and restructuring and related accelerated depreciation charges and inventory write-offs. 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 January 3, 2009.

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	Quarter Ended July 4, 2009	Quarter Ended June 28, 2008	Six Months Ended July 4, 2009	Six Months Ended June 28, 2008
Net sales:				
Innerwear	$ 611,779	$ 636,335	$ 1,125,593	$ 1,180,065
Outerwear	231,654	260,137	446,561	532,342
International	104,073	130,903	187,275	235,539
Hosiery	42,584	49,734	95,356	116,475
Other	5,634	4,174	8,277	15,295
Total segment net sales(1)	995,724	1,081,283	1,863,062	2,079,716
Intersegment(2)	(9,702)	(9,112)	(19,199)	(19,698)
Total net sales	$ 986,022	$ 1,072,171	$ 1,843,863	$ 2,060,018

	Quarter Ended July 4, 2009	Quarter Ended June 28, 2008	Six Months Ended July 4, 2009	Six Months Ended June 28, 2008
Segment operating profit (loss):				
Innerwear	$ 92,563	$ 79,942	$ 141,118	$ 133,617
Outerwear	3,666	19,927	(12,100)	36,344
International	8,804	18,848	18,872	33,652
Hosiery	12,280	15,742	28,844	39,863
Other	(2,233)	830	(2,683)	(10)
Total segment operating profit	115,080	135,289	174,051	243,466
Items not included in segment operating profit:				
General corporate expenses	(15,176)	(12,584)	(30,664)	(24,535)
Amortization of trademarks and other identifiable intangibles	(3,092)	(2,965)	(6,181)	(5,638)
Restructuring	(12,544)	(1,442)	(31,215)	(4,000)
Inventory write-offs included in cost of sales	(159)	—	(3,247)	—
Accelerated depreciation included in cost of sales	224	(4,633)	(2,274)	(7,191)
Accelerated depreciation included in selling, general and administrative expenses	(185)	(578)	(355)	(1,221)
Total operating profit	84,148	113,087	100,115	200,881
Other expenses	(168)	—	(4,114)	—
Interest expense, net	(44,807)	(37,635)	(81,607)	(78,029)
Income before income tax expense	$ 39,173	$ 75,452	$ 14,394	$ 122,852

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	Quarter Ended		Six Months Ended	
	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Depreciation and amortization expense:				
Innerwear	$ 10,811	$ 11,481	$ 21,222	$ 22,032
Outerwear	5,490	5,679	11,053	12,809
International	486	749	986	1,172
Hosiery	1,055	1,554	2,211	3,185
Other	86	258	131	595
	17,928	19,721	35,603	39,793
Corporate	3,651	8,975	10,026	15,167
Total depreciation and amortization expense	$ 21,579	$ 28,696	$ 45,629	$ 54,960

	Quarter Ended		Six Months Ended	
	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Additions to long-lived assets:				
Innerwear	$ 10,949	$ 19,101	$ 33,616	$ 26,503
Outerwear	8,965	19,138	39,777	32,140
International	322	668	525	1,142
Hosiery	102	239	402	318
Other	16	11	28	14
	20,354	39,157	74,348	60,117
Corporate	1,729	6,813	3,468	13,433
Total additions to long-lived assets	$ 22,083	$ 45,970	$ 77,816	$ 73,550

(1) Includes sales between segments. Such sales are at transfer prices that are at cost plus markup or at prices equivalent to market value.

(2) Intersegment sales included in the segments' net sales are as follows:

	Quarter Ended		Six Months Ended	
	July 4, 2009	June 28, 2008	July 4, 2009	June 28, 2008
Innerwear	$ 1,034	$ 1,006	$ 1,866	$ 2,362
Outerwear	5,548	5,227	10,795	10,657
International	220	370	451	1,039
Hosiery	2,900	2,509	6,087	5,640
Other	—	—	—	—
Total	$ 9,702	$ 9,112	$ 19,199	$ 19,698

(13) Consolidating Financial Information

In accordance with the indenture governing the Company's $500,000 Floating Rate Senior Notes issued on December 14, 2006, certain of the Company's subsidiaries have guaranteed the Company's obligations under the Floating Rate Senior Notes. 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 indenture governing the Floating Rate Senior Notes;

(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) Parent Company, on a consolidated basis.

The Floating Rate 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. Each entity in the consolidating financial information follows the same accounting policies as described in the Company's Consolidated Financial Statements included in its Annual Report on Form 10-K for the year ended January 3, 2009, 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.

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

	Condensed Consolidating Statement of Income Quarter Ended July 4, 2009				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	$ 1,013,607	$ 109,757	$ 732,070	$ (869,412)	$ 986,022
Cost of sales	794,669	38,355	660,423	(834,816)	658,631
Gross profit	218,938	71,402	71,647	(34,596)	327,391
Selling, general and administrative expenses	186,533	21,051	22,804	311	230,699
Restructuring	11,888	—	656	—	12,544
Operating profit (loss)	20,517	50,351	48,187	(34,907)	84,148
Equity in earnings (loss) of subsidiaries	49,916	30,024	—	(79,940)	—
Other expenses	168	—	—	—	168
Interest expense, net	34,044	5,766	4,984	13	44,807
Income (loss) before income tax expense	36,221	74,609	43,203	(114,860)	39,173
Income tax expense	5,666	199	2,753	—	8,618
Net income (loss)	$ 30,555	$ 74,410	$ 40,450	$ (114,860)	$ 30,555

	Condensed Consolidating Statement of Income Quarter Ended June 28, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	$ 1,086,432	$ 111,692	$ 761,732	$ (887,685)	$ 1,072,171
Cost of sales	871,358	44,142	666,379	(890,664)	691,215
Gross profit	215,074	67,550	95,353	2,979	380,956
Selling, general and administrative expenses	226,412	17,409	22,491	115	266,427
Restructuring	421	127	894	—	1,442
Operating profit (loss)	(11,759)	50,014	71,968	2,864	113,087
Equity in earnings (loss) of subsidiaries	101,498	43,374	—	(144,872)	—
Interest expense, net	25,443	7,971	4,228	(7)	37,635
Income (loss) before income tax expense	64,296	85,417	67,740	(142,001)	75,452
Income tax expense	6,952	3,397	7,759	—	18,108
Net income (loss)	$ 57,344	$ 82,020	$ 59,981	$ (142,001)	$ 57,344

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

	Condensed Consolidating Statement of Income Six Months Ended July 4, 2009				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	$ 1,932,137	$ 201,989	$ 1,386,066	$ (1,676,329)	$ 1,843,863
Cost of sales	1,612,074	72,835	1,234,922	(1,661,235)	1,258,596
Gross profit	320,063	129,154	151,144	(15,094)	585,267
Selling, general and administrative expenses	364,094	44,060	45,029	754	453,937
Restructuring	28,024	—	3,191	—	31,215
Operating profit (loss)	(72,055)	85,094	102,924	(15,848)	100,115
Equity in earnings (loss) of subsidiaries	143,345	74,178	—	(217,523)	—
Other expenses	4,114	—	—	—	4,114
Interest expense, net	61,679	12,238	7,679	11	81,607
Income (loss) before income tax expense (benefit)	5,497	147,034	95,245	(233,382)	14,394
Income tax expense (benefit)	(5,730)	2,859	6,038	—	3,167
Net income (loss)	$ 11,227	$ 144,175	$ 89,207	$ (233,382)	$ 11,227

	Condensed Consolidating Statement of Income Six Months Ended June 28, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	$ 2,109,891	$ 209,138	$ 1,406,691	$ (1,665,702)	$ 2,060,018
Cost of sales	1,672,527	83,355	1,227,217	(1,649,001)	1,334,098
Gross profit	437,364	125,783	179,474	(16,701)	725,920
Selling, general and administrative expenses	445,712	39,000	35,765	562	521,039
Restructuring	(94)	127	3,967	—	4,000
Operating profit (loss)	(8,254)	86,656	139,742	(17,263)	200,881
Equity in earnings (loss) of subsidiaries	165,204	80,151	—	(245,355)	—
Interest expense, net	51,786	16,862	9,388	(7)	78,029
Income (loss) before income tax expense	105,164	149,945	130,354	(262,611)	122,852
Income tax expense	11,796	5,515	12,173	—	29,484
Net income (loss)	$ 93,368	$ 144,430	$ 118,181	$ (262,611)	$ 93,368

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

	Condensed Consolidating Balance Sheet July 4, 2009				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 14,516	$ 1,813	$ 31,232	$ —	$ 47,561
Trade accounts receivable less allowances	(2,444)	5,699	504,783	(2,736)	505,302
Inventories	977,795	56,439	333,588	(133,279)	1,234,543
Deferred tax assets and other current assets	269,262	10,885	47,241	(2,277)	325,111
Total current assets	1,259,129	74,836	916,844	(138,292)	2,112,517
Property, net	187,540	18,125	411,407	—	617,072
Trademarks and other identifiable intangibles, net	23,730	112,299	5,639	—	141,668
Goodwill	232,882	16,935	72,185	—	322,002
Investments in subsidiaries	697,913	738,281	—	(1,436,194)	—
Deferred tax assets and other noncurrent assets	154,577	444,117	(119,773)	(96,089)	382,832
Total assets	$ 2,555,771	$ 1,404,593	$ 1,286,302	$ (1,670,575)	$ 3,576,091
Liabilities and Stockholders' Equity					
Accounts payable	$ 114,975	$ 2,095	$ 86,122	$ 85,648	$ 288,840
Accrued liabilities	214,397	25,500	55,964	—	295,861
Notes payable	—	—	64,013	—	64,013
Accounts Receivable Securitization Facility	—	—	226,000	—	226,000
Total current liabilities	329,372	27,595	432,099	85,648	874,714
Long-term debt	1,543,930	450,000	—	—	1,993,930
Other noncurrent liabilities	443,324	2,549	18,215	4,214	468,302
Total liabilities	2,316,626	480,144	450,314	89,862	3,336,946
Stockholders' equity	239,145	924,449	835,988	(1,760,437)	239,145
Total liabilities and stockholders' equity	$ 2,555,771	$ 1,404,593	$ 1,286,302	$ (1,670,575)	$ 3,576,091

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

	Condensed Consolidating Balance Sheet January 3, 2009				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 16,210	$ 2,355	$ 48,777	$ —	$ 67,342
Trade accounts receivable less allowances	(4,956)	6,096	406,305	(2,515)	404,930
Inventories	1,078,048	49,581	295,946	(133,045)	1,290,530
Deferred tax assets and other current assets	288,208	10,158	49,734	(577)	347,523
Total current assets	1,377,510	68,190	800,762	(136,137)	2,110,325
Property, net	208,844	13,914	365,431	—	588,189
Trademarks and other identifiable intangibles, net	27,199	114,630	5,614	—	147,443
Goodwill	232,882	16,934	72,186	—	322,002
Investments in subsidiaries	545,866	649,513	—	(1,195,379)	—
Deferred tax assets and other noncurrent assets	91,401	397,802	(37,980)	(85,133)	366,090
Total assets	$ 2,483,702	$ 1,260,983	$ 1,206,013	$ (1,416,649)	$ 3,534,049
Liabilities and Stockholders' Equity					
Accounts payable	$ 161,734	$ 3,980	$ 74,157	$ 85,647	$ 325,518
Accrued liabilities	229,631	30,875	57,555	(2,669)	315,392
Notes payable	—	—	61,734	—	61,734
Accounts Receivable Securitization Facility	—	—	45,640	—	45,640
Total current liabilities	391,365	34,855	239,086	82,978	748,284
Long-term debt	1,483,930	450,000	196,977	—	2,130,907
Other noncurrent liabilities	423,252	7,344	34,968	4,139	469,703
Total liabilities	2,298,547	492,199	471,031	87,117	3,348,894
Stockholders' equity	185,155	768,784	734,982	(1,503,766)	185,155
Total liabilities and stockholders' equity	$ 2,483,702	$ 1,260,983	$ 1,206,013	$ (1,416,649)	$ 3,534,049

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 Six Months Ended July 4, 2009				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 219,500	$ 79,876	$ (55,260)	$ (217,599)	$ 26,517
Investing activities:					
Purchases of property and equipment	(9,807)	(6,074)	(61,935)	—	(77,816)
Proceeds from sales of assets	5,589	—	3,190	—	8,779
Other	(73)	—	—	73	—
Net cash provided by (used in) investing activities	(4,291)	(6,074)	(58,745)	73	(69,037)
Financing activities:					
Borrowings on notes payable	—	—	818,880	—	818,880
Repayments on notes payable	—	—	(816,676)	—	(816,676)
Payments to amend credit facilities	(20,570)	—	(1,595)	—	(22,165)
Borrowings on revolving loan facility	949,525	—	—	—	949,525
Repayments on revolving loan facility	(889,525)	—	—	—	(889,525)
Borrowing on Accounts Receivable Securitization Facility	—	—	128,009	—	128,009
Repayments on Accounts Receivable Securitization Facility	—	—	(144,626)	—	(144,626)
Other	(579)	—	(15)	—	(594)
Net transactions with related entities	(255,754)	(74,344)	112,572	217,526	—
Net cash provided by (used in) financing activities	(216,903)	(74,344)	96,549	217,526	22,828
Effect of changes in foreign exchange rates on cash	—	—	(89)	—	(89)
Decrease in cash and cash equivalents	(1,694)	(542)	(17,545)	—	(19,781)
Cash and cash equivalents at beginning of year	16,210	2,355	48,777	—	67,342
Cash and cash equivalents at end of period	$ 14,516	$ 1,813	$ 31,232	$ —	$ 47,561

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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 Six Months Ended June 28, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ (15,285)	$ 83,519	$ 128,725	$ (246,921)	$ (49,962)
Investing activities:					
Purchases of property, plant and equipment	(18,178)	(5,364)	(50,008)	—	(73,550)
Acquisition of business	—	—	(9,994)	—	(9,994)
Proceeds from sales of assets	7,242	3	2,279	—	9,524
Other	435	—	—	(435)	—
Net cash used in investing activities	(10,501)	(5,361)	(57,723)	(435)	(74,020)
Financing activities:					
Borrowings on notes payable	—	—	210,016	—	210,016
Repayments on notes payable	—	—	(171,346)	—	(171,346)
Payments to amend credit facilities	(48)	(10)	(11)	—	(69)
Borrowings on revolving loan facility	155,000	—	—	—	155,000
Repayments on revolving loan facility	(155,000)	—	—	—	(155,000)
Borrowings on Accounts Receivable Securitization Facility	—	—	20,389	—	20,389
Repayments on Accounts Receivable Securitization Facility	—	—	(20,389)	—	(20,389)
Proceeds from stock options exercised	382	—	—	—	382
Stock repurchases	(10,860)	—	—	—	(10,860)
Transaction with Sara Lee Corporation	18,000	—	—	—	18,000
Other	(590)	—	—	—	(590)
Net transactions with related entities	(37,013)	(82,372)	(127,971)	247,356	—
Net cash provided by (used in) financing activities	(30,129)	(82,382)	(89,312)	247,356	45,533
Effect of changes in foreign exchange rates on cash	—	—	1,131	—	1,131
Decrease in cash and cash equivalents	(55,915)	(4,224)	(17,179)	—	(77,318)
Cash and cash equivalents at beginning of year	84,476	6,329	83,431	—	174,236
Cash and cash equivalents at end of period	$ 28,561	$ 2,105	$ 66,252	$ —	$ 96,918

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" 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 January 3, 2009, which were included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission. 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.

Overview

We are a consumer goods company with a portfolio of leading apparel brands, including *Hanes*, *Champion*, *C9 by Champion*, *Playtex*, *Bali*, *L'eggs*, *Just My Size*, *barely there*, *Wonderbra*, *Stedman*, *Outer Banks*, *Zorba*, *Rinbros* and *Duofold.* We design, manufacture, source and sell a broad range of apparel essentials such as t-shirts, bras, panties, men's underwear, kids' underwear, casualwear, activewear, socks and hosiery.

Our operations are managed in five operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Outerwear, International, Hosiery and Other. These segments are organized principally by product category and geographic location. Management of each segment is responsible for the operations of these segments' businesses but shares a common supply chain and media and marketing platforms.

- *Innerwear.* The Innerwear segment focuses on core apparel essentials, and consists of products such as women's intimate apparel, men's underwear, kids' underwear, socks and thermals, marketed under well-known brands that are trusted by consumers. We are an intimate apparel category leader in the United States with our *Hanes*, *Playtex*, *Bali*, *barely there*, *Just My Size* and *Wonderbra* brands. We are also a leading manufacturer and marketer of men's underwear and kids' underwear under the *Hanes*, *Champion*, *C9 by Champion* and *Polo Ralph Lauren* brand names. Our direct-to-consumer retail operations are included within the Innerwear segment. The retail operations include our value-based ("outlet") stores, internet operations and catalogs which sell products from our portfolio of leading brands. As of July 4, 2009 and January 3, 2009, we had 227 and 213 outlet stores, respectively. Net sales for the six months ended July 4, 2009 from our Innerwear segment were $1.13 billion, representing approximately 60% of total segment net sales.
- *Outerwear.* We are a leader in the casualwear and activewear markets through our *Hanes*, *Champion* and *Just My Size* brands, where we offer products such as t-shirts and fleece. Our casualwear lines offer a range of quality, comfortable clothing for men, women and children marketed under the *Hanes* and *Just My Size* brands. The *Just My Size* brand offers casual apparel designed exclusively to meet the needs of plus-size women. In addition to activewear for men and women, *Champion* provides uniforms for athletic programs and includes an apparel program, *C9 by Champion*, at Target stores. We also license our *Champion* name for collegiate apparel and footwear. We also supply our t-shirts, sportshirts and fleece products primarily to wholesalers, who then resell to screen printers and embellishers, through brands such as *Hanes*, *Champion*, *Outer Banks* and *Hanes Beefy-T*. Net sales for the six months ended July 4, 2009 from our Outerwear segment were $447 million, representing approximately 24% of total segment net sales.
- *International.* International includes products that span across the Innerwear, Outerwear and Hosiery reportable segments and are primarily marketed under the *Hanes*, *Wonderbra, Champion, Stedman, Playtex, Zorba, Rinbros, Kendall, Sol y Oro, Ritmo* and *Bali* brands. Net sales for the six months ended

July 4, 2009 from our International segment were $187 million, representing approximately 10% of total segment net sales and included sales in Latin America, Asia, Canada and Europe. Canada, Europe, Japan and Mexico are our largest international markets, and we also have sales offices in India and China.

- *Hosiery.* We are the leading marketer of women's sheer hosiery in the United States. We compete in the hosiery market by striving to offer superior values and executing integrated marketing activities, as well as focusing on the style of our hosiery products. We market hosiery products under our *L'eggs*, *Hanes* and *Just My Size* brands. Net sales for the six months ended July 4, 2009 from our Hosiery segment were $95 million, representing approximately 5% of total segment net sales. We expect the trend of declining hosiery sales to continue consistent with the overall decline in the industry and with shifts in consumer preferences.
- *Other.* Our Other segment consists of sales of nonfinished products such as yarn and certain other materials in the United States and Latin America that maintain asset utilization at certain manufacturing facilities and are intended to generate break even margins. Net sales for the six months ended July 4, 2009 in our Other segment were $8 million, representing approximately 1% of total segment net sales. Net sales from our Other segment are expected to continue to be insignificant to us as we complete the implementation of our consolidation and globalization efforts.

Consolidation and Globalization Strategy

We expect to continue our restructuring efforts through 2009 as we continue to execute our consolidation and globalization strategy. We have closed plant locations, reduced our workforce and relocated some of our manufacturing capacity to lower cost locations in Asia, Central America and the Caribbean Basin. During the six months ended July 4, 2009, in furtherance of our consolidation and globalization strategy, we approved actions to close three manufacturing facilities and two distribution centers in the Dominican Republic, the United States, Honduras and Canada, and eliminate an aggregate of approximately 2,800 positions in those countries and El Salvador. In addition, approximately 300 management and administrative positions were eliminated, with the majority of these positions based in the United States. We also have recognized accelerated depreciation with respect to owned or leased assets associated with manufacturing facilities and distribution centers which closed during 2009 or we anticipate closing in the next year as part of our consolidation and globalization strategy. While we believe that this strategy has had and will continue to have a beneficial impact on our operational efficiency and cost structure, we have incurred significant costs to implement these initiatives. In particular, we have recorded charges for severance and other employment-related obligations relating to workforce reductions, as well as payments in connection with lease and other contract terminations. In addition, we incurred charges for one-time write-offs of stranded raw materials and work in process inventory determined not to be salvageable or cost-effective to relocate related to the closure of manufacturing facilities. These amounts are included in the "Cost of sales," "Restructuring" and "Selling, general and administrative expenses" lines of our statements of income.

We have made significant progress in our multiyear goal of generating gross savings that could approach or exceed $200 million. As a result of the restructuring actions taken since our spin off from Sara Lee Corporation ("Sara Lee") on September 5, 2006, our cost structure has been reduced and efficiencies improved, generating savings of $39 million during the six months ended July 4, 2009. In addition to the savings generated from restructuring actions, we benefited from $19 million in savings related to other cost reduction initiatives during the six months ended July 4, 2009.

Seasonality and Other Factors

Our operating results are subject to some variability. Generally, our diverse range of product offerings helps mitigate the impact of seasonal changes in demand for certain items. Sales are typically higher in the last two quarters (July to December) of each fiscal year. Socks, hosiery and fleece products generally have higher sales during this period as a result of cooler weather, back-to-school shopping and holidays. 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. For example, we have experienced a shift in timing by our largest retail customers of back-to-school programs between June and July the last two years. Our results of operations are also impacted by fluctuations and volatility in the price of cotton and oil-related materials and the timing of actual spending for our media, advertising and promotion expenses. 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 our customers. Discretionary spending is affected by many factors, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, currency exchange rates, taxation, electricity power rates, gasoline prices, unemployment trends and other matters that influence consumer confidence and spending. Many of these factors are outside of our control. Our customers' 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.

Inflation and Changing Prices

Inflation can have a long-term impact on us because increasing costs of materials and labor may impact our ability to maintain satisfactory margins. For example, a significant portion of our products are manufactured in other countries and declines in the value of the U.S. dollar may result in higher manufacturing costs. Similarly, the cost of the materials that are used in our manufacturing process, such as oil-related commodity prices, rose during the summer of 2008 as a result of inflation and other factors. In addition, inflation often is accompanied by higher interest rates, which could have a negative impact on spending, in which case our margins could decrease. Moreover, increases in inflation may not be matched by rises in income, which also could have a negative impact on spending. If we incur increased costs that we are unable to recoup, or if consumer spending continues to decrease generally, our business, results of operations, financial condition and cash flows may be adversely affected. In an effort to mitigate the impact of these incremental costs on our operating results, we raised domestic prices effective February 2009. We implemented an average gross price increase of four percent in our domestic product categories. The range of price increases varies by individual product category.

Our costs for cotton yarn and cotton-based textiles vary based upon the fluctuating cost of cotton, which is affected by weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries and other factors that are generally unpredictable and beyond our control. While we do enter into short-term supply agreements and hedges from time to time in an attempt to protect our business from the volatility of the market price of cotton, our business can be affected by dramatic movements in cotton prices, although cotton historically represents only 8% of our cost of sales. The cotton prices reflected in our results were 62 cents per pound for the six months ended July 4, 2009 and 58 cents per pound for the six months ended June 28, 2008. After taking into consideration the cotton costs currently included in inventory and short-term supply agreements, we expect our cost of cotton to average 55 cents per pound for the full year of 2009 compared to 65 cents per pound for 2008. In addition, during the summer of 2008 we experienced a spike in oil-related commodity prices and other raw materials used in our products, such as dyes and chemicals, and increases in other costs, such as fuel, energy and utility costs. Costs incurred for materials and labor are capitalized into inventory and impact our results as the inventory is sold.

Highlights from the Second Quarter and Six Months Ended July 4, 2009

- Total net sales in the second quarter of 2009 were $986 million, compared with $1.07 billion in the same quarter of 2008. Total net sales in the six-month period in 2009 were $1.84 billion, compared with $2.06 billion in the same six-month period of 2008.
- Operating profit was $84 million in the second quarter of 2009, compared with $113 million in the same quarter of 2008. Operating profit was $100 million in the six-month period in 2009, compared with $201 million in the same six-month period of 2008.
- Diluted earnings per share were $0.32 in the second quarter of 2009, compared with $0.60 in the same quarter of 2008. Diluted earnings per share were $0.12 in the six-month period in 2009, compared with $0.97 in the same six-month period of 2008.
- During the first six months of 2009, we approved actions to close three manufacturing facilities and two distribution centers in the Dominican Republic, the United States, Honduras and Canada, and eliminate an aggregate of approximately 2,800 positions in those countries and El Salvador. In addition, approximately 300 management and administrative positions were eliminated, with the majority of these positions based in the United States. In addition, we completed several such actions in 2009 that were approved in 2008.
- Gross capital expenditures were $78 million during the first six months of 2009 as we continued to build out our textile and sewing network in Asia, Central America and the Caribbean Basin.
- We amended our Senior Secured Credit Facility and Accounts Receivable Securitization Facility to provide for additional cushion for the leverage ratio and interest coverage ratio covenant requirements.
- We ended the second quarter of 2009 with $415 million of borrowing availability under our $500 million revolving loan facility (the "Revolving Loan Facility"), $48 million in cash and cash equivalents and $67 million of borrowing availability under our international loan facilities.

Consolidated Results of Operations — Second Quarter Ended July 4, 2009 Compared with Second Quarter Ended June 28, 2008

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
		(dollars in thousands)		
Net sales	$ 986,022	$ 1,072,171	$ (86,149)	(8.0)%
Cost of sales	658,631	691,215	(32,584)	(4.7)
Gross profit	327,391	380,956	(53,565)	(14.1)
Selling, general and administrative expenses	230,699	266,427	(35,728)	(13.4)
Restructuring	12,544	1,442	11,102	769.9
Operating profit	84,148	113,087	(28,939)	(25.6)
Other expenses	168	—	168	NM
Interest expense, net	44,807	37,635	7,172	19.1
Income before income tax expense	39,173	75,452	(36,279)	(48.1)
Income tax expense	8,618	18,108	(9,490)	(52.4)
Net income	$ 30,555	$ 57,344	$ (26,789)	(46.7)%

Net Sales

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 986,022	$ 1,072,171	$ (86,149)	(8.0)%

Consolidated net sales were lower by $86 million or 8% in the second quarter of 2009 compared to the second quarter of 2008 which reflects an improvement in the double-digit sales decline rate over the past two quarters. The net sales decline in the second quarter of 2009 is primarily attributed to the recessionary environment that continued into this quarter. Retail sales for apparel continued to decline quarter over quarter at most of our largest customers as the continuing recession, growing job losses and tight access to credit constrained consumer spending. Retailer inventory levels during the second quarter of 2009 mostly remained flat compared to the first quarter of 2009 and in line with current retail sales trends. Net sales were also impacted by a shift of approximately $5 million in our back-to-school shipments from July to June in 2009 as compared to 2008.

Innerwear, Outerwear, International and Hosiery segment net sales were lower by $25 million (4%), $28 million (11%), $27 million (20%) and $7 million (14%), respectively, in the second quarter of 2009 compared to the second quarter of 2008.

Innerwear segment net sales were lower (4%) in the second quarter of 2009 compared to the second quarter of 2008, primarily due to lower net sales of intimate apparel (6%) and socks (9%) primarily due to weak sales at retail in this difficult economic environment. Male underwear net sales were flat in the second quarter of 2009 compared to the second quarter of 2008.

Outerwear segment net sales were lower (11%) in the second quarter of 2009 compared to the second quarter of 2008, primarily due to the lower casualwear net sales in both the retail and wholesale channels, partially offset by higher net sales (10%) of our *Champion* brand activewear. Results for the second quarter of 2009 were negatively impacted by losses of seasonal programs in the retail casualwear channel that also impacted results for the first quarter of 2009 but will not continue to impact our results after the second quarter.

International segment net sales were lower (20%) in the second quarter of 2009 compared to the second quarter of 2008, primarily attributable to an unfavorable impact of $13 million related to foreign currency exchange rates and weak demand globally primarily in Europe, Canada and Japan which are experiencing recessionary environments similar to the United States. Excluding the impact of foreign exchange rates on currency, International segment net sales declined by 11% in the second quarter of 2009 compared to the second quarter of 2008.

Hosiery segment net sales were lower (14%) in the second quarter of 2009 compared to the second quarter of 2008, which was substantially more than the long-term industry trend. Hosiery products in all channels continue to be more adversely impacted by reduced consumer discretionary spending than other apparel categories.

Gross Profit

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Gross profit	$ 327,391	$ 380,956	$ (53,565)	(14.1)%

Our gross profit was lower by $54 million in the second quarter of 2009 compared to the second quarter of 2008. Gross profit was lower due to lower sales volume of $50 million, unfavorable product sales mix of $17 million and higher sales incentives of $5 million. Other factors contributing to lower gross profit were higher other manufacturing costs of $19 million, primarily related to lower volume and operating efficiencies at our manufacturing facilities, higher production costs of $11 million related to higher energy and oil-related costs, including freight costs, other vendor price increases of $9 million, higher cost of finished goods sourced from third party manufacturers of $7 million primarily resulting from foreign exchange transaction losses and a $4 million unfavorable impact related to foreign currency exchange rates. Energy and oil-related costs were higher due to a spike in oil-related commodity prices during the summer of 2008. Our results in the second quarter of 2009 continued to reflect higher costs for oil-related materials, but in the second half of 2009 our results will begin to benefit from the lower oil-related material costs and improved other manufacturing costs. The unfavorable impact of foreign currency exchange rates in our International segment was primarily due to the strengthening of the U.S. dollar compared to the Mexican peso, Canadian dollar, Euro and Brazilian real.

Our higher expenses were partially offset by higher product pricing of $37 million before increased sales incentives, savings from our cost reduction initiatives and prior restructuring actions of $13 million, lower cotton costs of $9 million, lower on-going excess and obsolete inventory costs of $6 million and lower accelerated depreciation of $5 million. The higher product pricing is due to the implementation of an average gross price increase of four percent in our domestic product categories in February 2009. The range of price increases varies by individual product category. The lower excess and obsolete inventory costs in the second quarter of 2009 are attributable to both our continuous evaluation of inventory levels and simplification of our product category offerings. We realized these benefits by driving down obsolete inventory levels through aggressive management and promotions.

The cotton prices reflected in our results were 49 cents per pound in the second quarter of 2009 as compared to 63 cents per pound in the second quarter of 2008. After taking into consideration the cotton costs currently included in inventory and short-term supply agreements, we expect our cost of cotton to average 55 cents per pound for the full year of 2009 compared to 65 cents per pound for 2008.

As a percent of net sales, our gross profit was 33.2% in the second quarter of 2009 compared to 35.5% in the second quarter of 2008, declining as a result of the items described above.

Selling, General and Administrative Expenses

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Selling, general and administrative expenses	$ 230,699	$ 266,427	$ (35,728)	(13.4)%

Our selling, general and administrative expenses were $36 million lower in the second quarter of 2009 compared to the second quarter of 2008. Our focus on cost reductions resulted in lower expenses in the second quarter of 2009 compared to the second quarter of 2008 related to savings of $8 million from our prior restructuring actions for compensation and related benefits, lower technology expenses of $6 million, lower selling and other marketing related expenses of $4 million and lower consulting related expenses of $2 million. In addition, our distribution expenses were lower by $5 million in the second quarter of 2009 compared to 2008 which is primarily attributable to lower sales volume that reduced our labor, postage and freight expenses and lower rework expenses in our distribution centers.

Our media related media, advertising and promotion (“MAP”) expenses were $19 million lower in the second quarter of 2009 compared to the second quarter of 2008 as we chose to reduce our spending. MAP 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.

Our pension expense, which is noncash, was higher by $8 million in the second quarter of 2009 compared to the second quarter of 2008. The higher pension expense is primarily due to the lower funded status of our pension plans at the end of 2008, which resulted from a decline in the fair value of plan assets due to the stock market’s performance during 2008 and a higher discount rate at the end of 2008. We also incurred higher expenses of $2 million in the second quarter of 2009 compared to the second quarter of 2008 as a result of opening retail stores. We opened 11 retail stores during the second quarter of 2009. Changes due to foreign currency exchange rates, which are included in the impact of the changes above, resulted in lower selling, general and administrative expenses of $3 million in the second quarter of 2009 compared to the second quarter of 2008.

Restructuring

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
		(dollars in thousands)		
Restructuring	$ 12,544	$ 1,442	$ 11,102	769.9%

During the second quarter of 2009, we approved an action to close one distribution center in the United States and eliminate approximately 200 positions. The distribution capacity will be relocated to our West Coast distribution facility in California in order to expand capacity for goods we source from Asia. In addition, approximately 250 management and administrative positions were eliminated, with the majority of these positions based in the United States. We recorded charges related to employee termination and other benefits of $10 million recognized in accordance with benefit plans previously communicated to the affected employee group and other exit costs of $3 million primarily related to moving equipment and inventory from closed facilities.

These actions, which are a continuation of our consolidation and globalization strategy, are expected to result in benefits of moving production to lower-cost manufacturing facilities, leveraging our large scale in high-volume products and consolidating production capacity.

During the second quarter of 2008, we incurred $1 million in restructuring charges which primarily related to employee termination and other benefits associated with plant closures approved during that period.

Operating Profit

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
		(dollars in thousands)		
Operating profit	$ 84,148	$ 113,087	$ (28,939)	(25.6)%

Operating profit was lower in the second quarter of 2009 compared to the second quarter of 2008 as a result of lower gross profit of $54 million and higher restructuring and related charges of $11 million, partially offset by lower selling, general and administrative expenses of $36 million. Changes in foreign currency exchange rates had an unfavorable impact on operating profit of $1 million in the second quarter of 2009 compared to the second quarter of 2008.

Other Expenses

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
		(dollars in thousands)		
Other expenses	$ 168	$ —	$ 168	NM

During the second quarter of 2009, we incurred costs to amend the Accounts Receivable Securitization Facility. This second amendment to that facility is expected to generally increase over time the amount of funding that will be available under the facility as compared to the amount that would be available pursuant to the amendment to that facility that we entered into in March 2009 to provide for additional cushion in our financial covenant requirements.

Interest Expense, Net

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Interest expense, net	$ 44,807	$ 37,635	$ 7,172	19.1%

Interest expense, net was higher by $7 million in the second quarter of 2009 compared to the second quarter of 2008. The amendments of our Senior Secured Credit Facility and Accounts Receivable Securitization Facility, which increased our interest-rate margin by 300 basis points and 325 basis points, respectively, increased interest expense in the second quarter of 2009 by $11 million, which was partially offset by a lower London Interbank Offered Rate, or “LIBOR,” that reduced interest expense by $4 million. Our weighted average interest rate on our outstanding debt was 7.02% during the second quarter of 2009 compared to 6.02% in the second quarter of 2008.

At July 4, 2009, we had outstanding interest rate hedging arrangements whereby we have capped the interest rate on $400 million of our floating rate debt at 3.50% and have fixed the interest rate on $1.4 billion of our floating rate debt at approximately 4.16%. Approximately 81% of our total debt outstanding at July 4, 2009 was at a fixed or capped LIBOR rate.

Income Tax Expense

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Income tax expense	$ 8,618	$ 18,108	$ (9,490)	(52.4)%

Our estimated annual effective income tax rate was 22% in the second quarter of 2009 compared to 24% in the second quarter of 2008. The lower effective income tax rate is attributable primarily to higher unremitted earnings from foreign subsidiaries in the second quarter of 2009 taxed at rates lower than the U.S. statutory rate. Our estimated annual effective tax rate reflects our strategic initiative to make substantial capital investments outside the United States in our global supply chain in 2009.

Net Income

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net income	$ 30,555	$ 57,344	$ (26,789)	(46.7)%

Net income for the second quarter of 2009 was lower than the second quarter of 2008 primarily due to lower operating profit of $29 million and higher interest expense of $7 million, partially offset by lower income tax expense of $9 million.

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Operating Results by Business Segment — Second Quarter Ended July 4, 2009 Compared with Second Quarter Ended June 28, 2008

	Quarter Ended July 4, 2009	Quarter Ended June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales:				
Innerwear	$ 611,779	$ 636,335	$ (24,556)	(3.9)%
Outerwear	231,654	260,137	(28,483)	(10.9)
International	104,073	130,903	(26,830)	(20.5)
Hosiery	42,584	49,734	(7,150)	(14.4)
Other	5,634	4,174	1,460	35.0
Total segment net sales	995,724	1,081,283	(85,559)	(7.9)
Intersegment	(9,702)	(9,112)	590	6.5
Total net sales	$ 986,022	$ 1,072,171	$ (86,149)	(8.0)%
Segment operating profit (loss):				
Innerwear	$ 92,563	$ 79,942	$ 12,621	15.8%
Outerwear	3,666	19,927	(16,261)	(81.6)
International	8,804	18,848	(10,044)	(53.3)
Hosiery	12,280	15,742	(3,462)	(22.0)
Other	(2,233)	830	(3,063)	(369.0)
Total segment operating profit:	115,080	135,289	(20,209)	(14.9)
Items not included in segment operating profit:				
General corporate expenses	(15,176)	(12,584)	2,592	20.6
Amortization of trademarks and other intangibles	(3,092)	(2,965)	127	4.3
Restructuring	(12,544)	(1,442)	11,102	769.9
Inventory write-off included in cost of sales	(159)	—	159	NM
Accelerated depreciation included in cost of sales	224	(4,633)	(4,857)	(104.8)
Accelerated depreciation included in selling, general and administrative expenses	(185)	(578)	(393)	(68.0)
Total operating profit	84,148	113,087	(28,939)	(25.6)
Other expenses	(168)	—	168	NM
Interest expense, net	(44,807)	(37,635)	7,172	19.1
Income before income tax expense	$ 39,173	$ 75,452	$ (36,279)	(48.1)%

Innerwear

	Quarter Ended July 4, 2009	Quarter Ended June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 611,779	$ 636,335	$ (24,556)	(3.9)%
Segment operating profit	92,563	79,942	12,621	15.8

Overall net sales in the Innerwear segment were lower by $25 million or 4% in the second quarter of 2009 compared to the second quarter of 2008 as we continued to be negatively impacted by weak consumer demand related to the recessionary environment. The rate of sales decline for our Innerwear segment continued to improve as compared to the previous two quarters. Total intimate apparel net sales were $14 million lower in the second quarter of 2009 compared to the second quarter of 2008. Our intimate apparel net sales, which we believe were primarily attributable to weaker sales at retail, were lower in our *Playtex* brand of $8 million, our smaller brands (*barely there*, *Just My Size* and *Wonderbra*) of $4 million and our *Hanes* brand of $3 million. Our *Bali* brand intimate apparel net sales were $3 million higher compared to the second quarter of 2008.

Net sales in our male underwear product category were flat in the second quarter of 2009 compared to the second quarter of 2008. Lower net sales in our socks product category reflect a decline in men's and kids' *Hanes* brand net sales of $6 million in the second quarter of 2009 compared to the second quarter of 2008. Net sales in our direct-to-consumer retail business were slightly lower due to lower internet sales, partially offset by higher sales at our outlet stores resulting from the addition of recently opened retail stores. Net sales were also impacted by a shift of approximately $5 million in our back-to-school shipments from July to June in 2009 as compared to 2008.

The Innerwear segment gross profit was lower by $10 million in the second quarter of 2009 compared to the second quarter of 2008. The lower gross profit is due to lower sales volume of $23 million, higher production costs of $7 million related to higher energy and oil-related costs, including freight costs, higher sales incentives of $6 million, other vendor price increases of $6 million, unfavorable product sales mix of $5 million and higher other manufacturing costs of $5 million. These higher costs were partially offset by higher product pricing of $24 million before increased sales incentives, savings from our cost reduction initiatives and prior restructuring actions of $8 million, lower on-going excess and obsolete inventory costs of $7 million and lower cotton costs of $3 million.

As a percent of segment net sales, gross profit in the Innerwear segment was 38.7% in the second quarter of 2009 compared to 38.8% in the second quarter of 2008, slightly declining as a result of the items described above.

The higher Innerwear segment operating profit in the second quarter of 2009 compared to the second quarter of 2008 is primarily attributable to lower media related MAP expenses of $17 million, savings of $5 million from prior restructuring actions primarily for compensation and related benefits, lower technology expenses of $3 million and lower distribution expenses of $3 million, partially offset by lower gross profit, higher pension expense of $4 million and higher expenses of $2 million as a result of opening retail stores. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to such segment. The allocation methodology for the consolidated selling, general and administrative expenses for the second quarter of 2009 is consistent with the second quarter of 2008. Our consolidated selling, general and administrative expenses before segment allocations was $36 million lower in the second quarter of 2009 compared to the second quarter of 2008.

Outerwear

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 231,654	$ 260,137	$ (28,483)	(10.9)%
Segment operating profit	3,666	19,927	(16,261)	(81.6)

Net sales in the Outerwear segment were lower by $28 million or 11% in the second quarter of 2009 compared to the second quarter of 2008, primarily as a result of lower casualwear net sales in both our retail and wholesale channels of $25 million and $15 million, respectively. The lower retail casualwear net sales reflect a $37 million impact due to the losses of seasonal programs not renewed for 2009, partially offset by additional sales in the second quarter of 2009 resulting from an exclusive long-term agreement entered into with Wal-Mart in April 2009 that significantly expands the presence of our *Just My Size* brand in all Wal-Mart stores. The losses of seasonal programs also impacted results for the first quarter of 2009 but will not continue to impact our results after this quarter. These decreases were partially offset by higher net sales of our

Champion brand activewear of $10 million. Our *Champion* brand sales continue to benefit from our marketing investment in the brand.

The Outerwear segment gross profit was lower by $22 million in the second quarter of 2009 compared to the second quarter of 2008. The lower gross profit is due to lower sales volume of $11 million, higher other manufacturing costs of $11 million primarily related to lower volume and operating efficiencies at our manufacturing facilities, unfavorable product sales mix of $6 million, higher sales incentives of $4 million, higher production costs of $4 million related to higher energy and oil-related costs, including freight costs, and other vendor price increases of $2 million. These higher costs were partially offset by higher product pricing of $7 million before increased sales incentives, lower cotton costs of $6 million and savings of $5 million from our cost reduction initiatives and prior restructuring actions.

As a percent of segment net sales, gross profit in the Outerwear segment was 18.7% in the second quarter of 2009 compared to 25.0% in the second quarter of 2008, declining as a result of the items described above.

The lower Outerwear segment operating profit in the second quarter of 2009 compared to the second quarter of 2008 is primarily attributable to lower gross profit and higher pension expense of $2 million, partially offset by savings of $3 million from our cost reduction initiatives and prior restructuring actions, lower media related MAP expenses of $2 million and lower technology expenses of $2 million. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to such segment. The allocation methodology for the consolidated selling, general and administrative expenses for the second quarter of 2009 is consistent with the second quarter of 2008. Our consolidated selling, general and administrative expenses before segment allocations was $36 million lower in the second quarter of 2009 compared to the second quarter of 2008.

International

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 104,073	$ 130,903	$ (26,830)	(20.5)%
Segment operating profit	8,804	18,848	(10,044)	(53.3)

Overall net sales in the International segment were lower by $27 million or 20% in the second quarter of 2009 compared to the second quarter of 2008 primarily attributable to an unfavorable impact of $13 million related to foreign currency exchange rates and weak demand globally primarily in Europe, Canada, and Japan which are experiencing recessionary environments similar to that in the United States. Excluding the impact of foreign exchange rates on currency, International segment net sales declined by 11% in the second quarter of 2009 compared to the second quarter of 2008. The unfavorable impact of foreign currency exchange rates in our International segment was primarily due to the strengthening of the U.S. dollar compared to the Mexican peso, Canadian dollar, Euro and Brazilian real. During the second quarter of 2009, we experienced lower net sales, in each case excluding the impact of foreign currency exchange rates, in our casualwear business in Europe of $9 million, in our casualwear business in Puerto Rico of $3 million resulting from moving the distribution capacity to the United States, in our intimate apparel business in Canada of $2 million and in our male underwear business in Japan of $1 million, partially offset by higher sales in Mexico of $2 million in our intimate apparel and male underwear businesses.

The International segment gross profit was lower by $15 million in the second quarter of 2009 compared to the second quarter of 2008. The lower gross profit is a result of lower sales volume of $8 million, higher cost of finished goods sourced from third party manufacturers of $7 million primarily resulting from foreign exchange transaction losses, an unfavorable impact related to foreign currency exchange rates of $4 million and an unfavorable product sales mix of $2 million. These higher costs were partially offset by higher product pricing of $3 million and lower sales incentives of $3 million.

As a percent of segment net sales, gross profit in the International segment was 35.8% in the second quarter of 2009 compared to the second quarter of 2008 at 40.2%, declining as a result of the items described above.

The lower International segment operating profit in the second quarter of 2009 compared to the second quarter of 2008 is primarily attributable to the lower gross profit, partially offset by lower selling and other marketing related expenses of $4 million. The changes in foreign currency exchange rates, which are included in the impact on gross profit above, had an unfavorable impact on segment operating profit of $1 million in the second quarter of 2009 compared to the second quarter of 2008.

Hosiery

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 42,584	$ 49,734	$ (7,150)	(14.4)%
Segment operating profit	12,280	15,742	(3,462)	(22.0)

Net sales in the Hosiery segment declined by $7 million or 14%, which was substantially more than the long-term industry trend primarily due to lower sales of our *L'eggs* brand to mass retailers and food and drug stores and our *Hanes* brand to national chains and department stores. Hosiery products continue to be more adversely impacted by reduced consumer discretionary spending than other apparel categories, which contributes to weaker retail sales and lowering of inventory levels by retailers. We expect the trend of declining hosiery sales to continue consistent with the overall decline in the industry and with shifts in consumer preferences. Generally, we manage the Hosiery segment for cash, placing an emphasis on reducing our cost structure and managing cash efficiently.

The Hosiery segment gross profit was lower by $5 million in the second quarter of 2009 compared to the second quarter of 2008. The lower gross profit for the second quarter of 2009 compared to the second quarter of 2008 is the result of lower sales volume of $7 million and higher other manufacturing costs of $2 million partially offset by higher product pricing of $3 million and lower sales incentives of $2 million.

As a percent of segment net sales, gross profit in the Hosiery segment was 44.3% in the second quarter of 2009 compared to 48.9% in the second quarter of 2008, declining as a result of the items described above.

The lower Hosiery segment operating profit in the second quarter of 2009 compared to the second quarter of 2008 is primarily attributable to lower gross profit. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to such segment. The allocation methodology for the consolidated selling, general and administrative expenses for the second quarter of 2009 is consistent with the second quarter of 2008. Our consolidated selling, general and administrative expenses before segment allocations was $36 million lower in the second quarter of 2009 compared to the second quarter of 2008.

Other

	Quarter Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 5,634	$ 4,174	$ 1,460	35.0%
Segment operating profit (loss)	(2,233)	830	(3,063)	(369.0)

Sales in our Other segment consist of sales of nonfinished fabric and yarn to third parties which are intended to maintain asset utilization at certain manufacturing facilities and generate break even margins. We expect sales of our Other segment to continue to be insignificant to us as we complete the implementation of our consolidation and globalization efforts.

General Corporate Expenses

General corporate expenses were higher in the second quarter of 2009 compared to the second quarter of 2008 primarily due to $4 million of higher foreign exchange transaction losses, partially offset by $2 million of higher gains on sales of assets.

Condensed Consolidated Results of Operations — Six Months Ended July 4, 2009 Compared with Six Months Ended June 28, 2008

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 1,843,863	$ 2,060,018	$ (216,155)	(10.5)%
Cost of sales	1,258,596	1,334,098	(75,502)	(5.7)
Gross profit	585,267	725,920	(140,653)	(19.4)
Selling, general and administrative expenses	453,937	521,039	(67,102)	(12.9)
Restructuring	31,215	4,000	27,215	680.4
Operating profit	100,115	200,881	(100,766)	(50.2)
Other expenses	4,114	—	4,114	NM
Interest expense, net	81,607	78,029	3,578	4.6
Income before income tax expense	14,394	122,852	(108,458)	(88.3)
Income tax expense	3,167	29,484	(26,317)	(89.3)
Net income	$ 11,227	$ 93,368	$ (82,141)	(88.0)%

Net Sales

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 1,843,863	$ 2,060,018	$ (216,155)	(10.5)%

Consolidated net sales were lower by $216 million or 10% in the six months of 2009 compared to 2008. The net sales decline in the six months of 2009 is primarily attributed to the recessionary environment that continued into the first half of 2009. Retail sales for apparel continued to decline during 2009 at most of our largest customers as the continuing recession, growing job losses and tight access to credit constrained consumer spending. Retailer inventory levels during the first half of 2009 are in line with current retail sales trends. Net sales were also impacted by a shift of approximately $5 million in our back-to-school shipments from July to June in 2009 as compared to 2008.

Innerwear, Outerwear, International and Hosiery segment net sales were lower by $54 million (5%), $86 million (16%), $48 million (20%) and $21 million (18%), respectively, in the six months of 2009 compared to 2008. Our Other segment net sales, as expected, were lower by $7 million in the six months of 2009 compared to 2008.

Innerwear segment net sales were lower (5%) in the six months of 2009 compared to 2008, primarily due to lower net sales of intimate apparel (11%) and socks (10%) primarily due to weak sales at retail in this difficult economic environment, partially offset by stronger net sales (7%) in our male underwear product category.

Outerwear segment net sales were lower (16%) in the six months of 2009 compared to 2008, primarily due to the lower casualwear net sales in both the retail and wholesale channels, partially offset by higher net sales (9%) of our *Champion* brand activewear. Results for the six months of 2009 were negatively impacted by losses of seasonal programs in the retail casualwear channel that will not continue to impact our results in the second half of 2009.

International segment net sales were lower (20%) in the six months of 2009 compared to 2008, primarily attributable to an unfavorable impact of $24 million related to foreign currency exchange rates and weak demand globally primarily in Europe, Canada and Japan which are experiencing recessionary environments similar to the United States. Excluding the impact of foreign exchange rates on currency, International segment net sales declined by 10% in the six months of 2009 compared to 2008.

Hosiery segment net sales were lower (18%) in the six months of 2009 compared to 2008, which was substantially more than the long-term industry trend. Hosiery products in all channels continue to be more adversely impacted by reduced consumer discretionary spending than other apparel categories.

Gross Profit

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Gross profit	$ 585,267	$ 725,920	$ (140,653)	(19.4)%

Our gross profit was lower by $141 million in the six months of 2009 compared to 2008. Gross profit was lower due to lower sales volume of $98 million, unfavorable product sales mix of $37 million and higher sales incentives of $8 million. Other factors contributing to lower gross profit were higher other manufacturing costs of $33 million primarily related to lower volume and operating efficiencies at our manufacturing facilities, higher production costs of $23 million related to higher energy and oil-related costs, including freight costs, other vendor price increases of $14 million, a $9 million unfavorable impact related to foreign currency exchange rates, higher cost of finished goods sourced from third party manufacturers of $8 million primarily resulting from foreign exchange transaction losses, higher cotton costs of $6 million and $4 million of higher start-up and shutdown costs associated with the consolidation and globalization of our supply chain. The unfavorable impact of foreign currency exchange rates in our International segment was primarily due to the strengthening of the U.S. dollar compared to the Mexican peso, Canadian dollar, Euro and Brazilian real. In addition, in connection with the consolidation and globalization of our supply chain, we incurred one-time restructuring related write-offs of $3 million in the six months of 2009 for stranded raw materials and work in process inventory determined not to be salvageable or cost-effective to relocate, which were offset by lower accelerated depreciation of $5 million.

These higher expenses were partially offset by higher product pricing of $63 million before increased sales incentives, savings from our cost reduction initiatives and prior restructuring actions of $25 million and lower on-going excess and obsolete inventory costs of $11 million. The higher product pricing is due to the implementation of an average gross price increase of four percent in our domestic product categories in February 2009. The range of price increases varies by individual product category. The lower excess and obsolete inventory costs in the first half of 2009 are attributable to both our continuous evaluation of inventory levels and simplification of our product category offerings. We realized these benefits by driving down obsolete inventory levels through aggressive management and promotions.

The cotton prices reflected in our results were 62 cents per pound in the six months of 2009 as compared to 58 cents per pound in 2008. Energy and oil-related costs were higher due to a spike in oil-related commodity prices during the summer of 2008. Our results in the six months of 2009 were impacted by higher costs for cotton and oil-related materials, however we started to benefit in the second quarter from lower cotton costs and will begin to benefit in the second half of 2009 from the lower oil-related material costs and improved other manufacturing costs. After taking into consideration the cotton costs currently included in inventory and short-term supply agreements, we expect our cost of cotton to average 55 cents per pound for the full year of 2009 compared to 65 cents per pound for 2008.

As a percent of net sales, our gross profit was 31.7% in the six months of 2009 compared to 35.2% in 2008, declining as a result of the items described above.

Selling, General and Administrative Expenses

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Selling, general and administrative expenses	$ 453,937	$ 521,039	$ (67,102)	(12.9)%

Our selling, general and administrative expenses were $67 million lower in the six months of 2009 compared to 2008. Our focus on cost reductions resulted in lower expenses in the six months of 2009 compared to 2008 related to lower technology expenses of $19 million, savings of $14 million from our prior restructuring actions for compensation and related benefits, lower selling and other marketing related expenses of $4 million, lower non-media related MAP expenses of $3 million, lower consulting related expenses of $3 million and lower accelerated depreciation of $1 million. In addition, our distribution expenses were lower by $8 million in the second quarter of 2009 compared to 2008, which is primarily attributable to lower sales volume that reduced our labor, postage and freight expenses and lower rework expenses in our distribution centers.

Our media related MAP expenses were $34 million lower in the six months of 2009 compared to 2008 as we chose to reduce our spending. In addition, our media related MAP expenses were higher in the six months of 2008 to support the launch of *Hanes* No Ride Up Panties and marketing initiatives for *Playtex*. MAP 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.

Our pension and stock compensation expenses, which are noncash, were higher by $16 million and $3 million, respectively, in the six months of 2009 compared to 2008. The higher pension expense is primarily due to the lower funded status of our pension plans at the end of 2008, which resulted from a decline in the fair value of plan assets due to the stock market's performance during 2008 and a higher discount rate at the end of 2008. We also incurred higher expenses of $3 million in the six months of 2009 compared to 2008 as a result of opening retail stores. We opened 15 retail stores during the six months of 2009. Changes due to foreign currency exchange rates, which are included in the impact of the changes above, resulted in lower selling, general and administrative expenses of $7 million in the six months of 2009 compared to 2008.

Restructuring

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Restructuring	$ 31,215	$ 4,000	$ 27,215	680.4%

During the six months of 2009, we approved actions to close three manufacturing facilities and two distribution centers in the Dominican Republic, the United States, Honduras and Canada, and eliminate an aggregate of approximately 2,800 positions in those countries and El Salvador. The production capacity represented by the manufacturing facilities will be relocated to lower cost locations in Asia, Central America and the Caribbean Basin. The distribution capacity has been relocated to our West Coast distribution facility in California in order to expand capacity for goods we source from Asia. In addition, approximately 300 management and administrative positions were eliminated, with the majority of these positions based in the United States. We recorded charges related to employee termination and other benefits of $15 million recognized in accordance with benefit plans previously communicated to the affected employee group, exiting supply contracts of $9 million and other exit costs of $7 million related to moving equipment and inventory from closed facilities and fixed asset impairment charges.

In the six months of 2009, we recorded one-time write-offs of $3 million of stranded raw materials and work in process inventory related to the closure of manufacturing facilities and recorded in the "Cost of sales" line. The raw materials and work in process inventory was determined not to be salvageable or cost-effective to relocate. In addition, in connection with our consolidation and globalization strategy, we recognized non-cash charges of $2 million and $7 million in six months of 2009 and the six months of 2008, respectively, in the "Cost of sales" line and a noncash charge of $1 million in the "Selling, general and administrative expenses" line in the six months of 2008 related to accelerated depreciation of buildings and equipment for facilities that have been closed or will be closed.

These actions, which are a continuation of our consolidation and globalization strategy, are expected to result in benefits of moving production to lower-cost manufacturing facilities, leveraging our large scale in high-volume products and consolidating production capacity.

During the six months of 2008, we incurred $4 million in restructuring charges which primarily related to employee termination and other benefits associated with plant closures approved during that period.

Operating Profit

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Operating profit	$ 100,115	$ 200,881	$ (100,766)	(50.2)%

Operating profit was lower in the six months of 2009 compared to 2008 as a result of lower gross profit of $141 million and higher restructuring and related charges of $27 million, partially offset by lower selling, general and administrative expenses of $67 million. Changes in foreign currency exchange rates had an unfavorable impact on operating profit of $2 million in the six months of 2009 compared to 2008.

Other Expenses

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Other expenses	$ 4,114	$ —	$ 4,114	NM

During the six months of 2009, we incurred costs of $4 million to amend the Senior Secured Credit Facility and the Accounts Receivable Securitization Facility. In March 2009, we amended these credit facilities to provide for additional cushion in our financial covenant requirements. These amendments delay the most restrictive debt-leverage ratio requirements from the fourth quarter of 2009 to the third quarter of 2011. In April 2009, we amended the Accounts Receivable Securitization Facility to generally increase over time the amount of funding that will be available under the facility as compared to the amount that would be available pursuant to the amendment to that facility that we entered into in March 2009.

Interest Expense, Net

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Interest expense, net	$ 81,607	$ 78,029	$ 3,578	4.6%

Interest expense, net was higher by $4 million in the six months of 2009 compared to 2008. The amendments of our Senior Secured Credit Facility and Accounts Receivable Securitization Facility, which increased our interest-rate margin by 300 basis points and 325 basis points, respectively, increased interest expense in the six months of 2009 by $14 million, which was partially offset by a lower LIBOR that reduced interest expense by $11 million. Our weighted average interest rate on our outstanding debt was 6.79% during the six months of 2009 compared to 6.35% in 2008.

At July 4, 2009, we had outstanding interest rate hedging arrangements whereby we have capped the interest rate on $400 million of our floating rate debt at 3.50% and have fixed the interest rate on $1.4 billion of our floating rate debt at approximately 4.16%. Approximately 81% of our total debt outstanding at July 4, 2009 was at a fixed or capped LIBOR rate.

Income Tax Expense

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Income tax expense	$ 3,167	$ 29,484	$ (26,317)	(89.3)%

Our estimated annual effective income tax rate was 22% in the six months of 2009 compared to 24% in 2008. The lower effective income tax rate is attributable primarily to higher unremitted earnings from foreign subsidiaries in the six months of 2009 taxed at rates lower than the U.S. statutory rate. Our estimated annual effective tax rate reflects our strategic initiative to make substantial capital investments outside the United States in our global supply chain in 2009.

Net Income

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net income	$ 11,227	$ 93,368	$ (82,141)	(88.0)%

Net income for the six months of 2009 was lower than 2008 primarily due to lower operating profit of $101 million, higher other expenses of $4 million and higher interest expense of $4 million, partially offset by lower income tax expense of $26 million.

Operating Results by Business Segment — Six Months Ended July 4, 2009 Compared with Six Months Ended June 28, 2008

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales:				
Innerwear	$ 1,125,593	$ 1,180,065	$ (54,472)	(4.6)%
Outerwear	446,561	532,342	(85,781)	(16.1)
International	187,275	235,539	(48,264)	(20.5)
Hosiery	95,356	116,475	(21,119)	(18.1)
Other	8,277	15,295	(7,018)	(45.9)
Total segment net sales	1,863,062	2,079,716	(216,654)	(10.4)
Intersegment	(19,199)	(19,698)	(499)	(2.5)
Total net sales	$ 1,843,863	$ 2,060,018	$ (216,155)	(10.5)%
Segment operating profit (loss):				
Innerwear	$ 141,118	$ 133,617	$ 7,501	5.6%
Outerwear	(12,100)	36,344	(48,444)	(133.3)
International	18,872	33,652	(14,780)	(43.9)
Hosiery	28,844	39,863	(11,019)	(27.6)
Other	(2,683)	(10)	(2,673)	NM
Total segment operating profit	174,051	243,466	(69,415)	(28.5)
Items not included in segment operating profit:				
General corporate expenses	(30,664)	(24,535)	6,129	25.0
Amortization of trademarks and other intangibles	(6,181)	(5,638)	543	9.6
Restructuring	(31,215)	(4,000)	27,215	680.4
Inventory write-off included in cost of sales	(3,247)	—	3,247	NM
Accelerated depreciation included in cost of sales	(2,274)	(7,191)	(4,917)	(68.4)
Accelerated depreciation included in selling, general and administrative expenses	(355)	(1,221)	(866)	(70.9)
Total operating profit	100,115	200,881	(100,766)	(50.2)
Other expenses	(4,114)	—	4,114	NM
Interest expense, net	(81,607)	(78,029)	3,578	4.6
Income before income tax expense	$ 14,394	$ 122,852	$ (108,458)	(88.3)%

Innerwear

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 1,125,593	$ 1,180,065	$ (54,472)	(4.6)%
Segment operating profit	141,118	133,617	7,501	5.6

Overall net sales in the Innerwear segment were lower by $54 million or 5% in the six months of 2009 compared to 2008 as we continued to be negatively impacted by weak consumer demand related to the recessionary environment.

Total intimate apparel net sales were $55 million lower in the six months of 2009 compared to 2008. Our intimate apparel net sales, which we believe were primarily attributable to weaker sales at retail, were lower in our *Hanes* brand of $21 million, our *Playtex* brand of $17 million, our smaller brands (*barely there*, *Just My Size* and *Wonderbra*) of $16 million. Our *Bali* brand intimate apparel net sales were $2 million higher compared to 2008.

Total male underwear net sales were $18 million higher in the six months of 2009 compared to 2008 which reflect higher net sales in our *Hanes* brand of $25 million, partially offset by lower net sales of our *Champion* brand of $5 million. The higher *Hanes* brand male underwear sales reflect growth in key segments of this category such as crewneck and V-neck T-shirts and boxer briefs and product innovations like the *Comfort Fit* waistbands. Lower net sales in our socks products category reflect a decline in men's and kids' *Hanes* brand net sales of $10 million and *Champion* brand net sales of $4 million in the six months of 2009 compared to 2008. Net sales in our direct-to-consumer retail business were $2 million lower due to lower internet sales, partially offset by higher sales at our outlet stores resulting from the addition of recently opened retail stores. Net sales were also impacted by a shift of approximately $5 million in our back-to-school shipments from July to June in 2009 as compared to 2008.

The Innerwear segment gross profit was lower by $34 million in the six months of 2009 compared to 2008. The lower gross profit is due to lower sales volume of $40 million, higher production costs of $13 million related to higher energy and oil-related costs, including freight costs, unfavorable product sales mix of $12 million, higher other manufacturing costs of $11 million, higher sales incentives of $8 million, other vendor price increases of $8 million and higher cotton costs of $3 million. These higher costs were partially offset by higher product pricing of $40 million before increased sales incentives, savings from our cost reduction initiatives and prior restructuring actions of $13 million and lower on-going excess and obsolete inventory costs of $8 million.

As a percent of segment net sales, gross profit in the Innerwear segment was 37.4% in the six months of 2009 compared to 38.5% in 2008, declining as a result of the items described above.

The higher Innerwear segment operating profit in the six months of 2009 compared to 2008 is primarily attributable to lower media related MAP expenses of $32 million, lower technology expenses of $10 million, savings of $9 million from prior restructuring actions primarily for compensation and related benefits and lower distribution expenses of $3 million, partially offset by lower gross profit, higher pension expense of $9 million and higher expenses of $3 million as a result of opening retail stores. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to such segment. The allocation methodology for the consolidated selling, general and administrative expenses for the six months of 2009 is consistent with 2008. Our consolidated selling, general and administrative expenses before segment allocations was $67 million lower in the six months of 2009 compared to 2008.

Outerwear

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 446,561	$ 532,342	$ (85,781)	(16.1)%
Segment operating profit	(12,100)	36,344	(48,444)	(133.3)

Net sales in the Outerwear segment were lower by $86 million or 16% in the six months of 2009 compared to 2008, primarily as a result of lower casualwear net sales in both our retail and wholesale channels of $73 million and $33 million, respectively. The lower retail casualwear net sales reflect an $89 million impact due to the losses of seasonal programs not renewed for 2009, partially offset by additional sales in the second quarter of 2009 resulting from an exclusive long-term agreement entered into with Wal-Mart in April 2009 that significantly expands the presence of our *Just My Size* brand in all Wal-Mart stores. The losses of seasonal programs will not continue to impact our results in the second half of 2009. These decreases were partially offset by higher net sales of our *Champion* brand activewear of $16 million. Our *Champion* brand sales continue to benefit from our marketing investment in the brand.

The Outerwear segment gross profit was lower by $60 million in the six months of 2009 compared to 2008. The lower gross profit is due to lower sales volume of $24 million, unfavorable product sales mix of $23 million, higher other manufacturing costs of $16 million, higher production costs of $10 million related to higher energy and oil-related costs, including freight costs, other vendor price increases of $5 million, higher sales incentives of $5 million and higher cotton costs of $3 million. These higher costs were partially offset by higher product pricing of $13 million before increased sales incentives, savings of $12 million from our cost reduction initiatives and prior restructuring actions and lower on-going excess and obsolete inventory costs of $2 million.

As a percent of segment net sales, gross profit in the Outerwear segment was 15.7% in the six months of 2009 compared to 24.4% in 2008, declining as a result of the items described above.

The Outerwear segment operating loss in the six months of 2009 compared to the segment operating profit in 2008 is primarily attributable to lower gross profit and higher pension expense of $4 million, partially offset by lower technology expenses of $5 million, savings of $4 million from our cost reduction initiatives and prior restructuring actions, lower non-media related MAP expenses of $3 million and lower distribution expenses of $2 million. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to such segment. The allocation methodology for the consolidated selling, general and administrative expenses for the six months of 2009 is consistent with 2008. Our consolidated selling, general and administrative expenses before segment allocations was $67 million lower in the six months of 2009 compared to 2008.

International

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 187,275	$ 235,539	$ (48,264)	(20.5)%
Segment operating profit	18,872	33,652	(14,780)	(43.9)

Overall net sales in the International segment were lower by $48 million or 20% in the six months of 2009 compared to 2008 primarily attributable to an unfavorable impact of $24 million related to foreign currency exchange rates and weak demand globally primarily in Europe, Canada, and Japan which are experiencing recessionary environments similar to that in the United States. Excluding the impact of foreign exchange rates on currency, International segment net sales declined by 10% in the six months of 2009 compared to 2008. The unfavorable impact of foreign currency exchange rates was primarily due to the strengthening of the U.S. dollar compared to the Mexican peso, Canadian dollar, Euro and Brazilian real. During the six months of 2009, we experienced lower net sales, in each case excluding the impact of foreign currency exchange rates, in our casualwear business in Europe of $14 million, in our casualwear business in Puerto Rico of $6 million resulting from moving the distribution capacity to the United States, in our intimate apparel business in Canada of $5 million and in our male underwear business in Japan of $3 million, partially offset by higher sales in Mexico of $4 million in our intimate apparel and male underwear businesses.

The International segment gross profit was lower by $24 million in the six months of 2009 compared to 2008. The lower gross profit is a result of lower sales volume of $12 million, an unfavorable impact related to foreign currency exchange rates of $9 million, higher cost of finished goods sourced from third party manufacturers of $8 million primarily resulting from foreign exchange transaction losses and an unfavorable product sales mix of $4 million. These higher costs were partially offset by higher product pricing of $5 million and lower sales incentives of $3 million.

As a percent of segment net sales, gross profit in the International segment was 39.0% in the six months of 2009 compared to 2008 at 41.3%, declining as a result of the items described above.

The lower International segment operating profit in the six months of 2009 compared to 2008 is primarily attributable to the lower gross profit, partially offset by lower selling and other marketing related expenses of $4 million, lower distribution expenses of $2 million and lower media related MAP expenses of $1 million. The changes in foreign currency exchange rates, which are included in the impact on gross profit above, had an unfavorable impact on segment operating profit of $2 million in the six months of 2009 compared to 2008.

Hosiery

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 95,356	$ 116,475	$ (21,119)	(18.1)%
Segment operating profit	28,844	39,863	(11,019)	(27.6)

Net sales in the Hosiery segment declined by $21 million or 18%, which was substantially more than the long-term industry trend primarily due to lower sales of our *L'eggs* brand to mass retailers and food and drug stores and our *Hanes* brand to national chains and department stores. Hosiery products continue to be more adversely impacted by reduced consumer discretionary spending than other apparel categories, which contributes to weaker retail sales and lowering of inventory levels by retailers. We expect the trend of declining hosiery sales to continue consistent with the overall decline in the industry and with shifts in consumer preferences. Generally, we manage the Hosiery segment for cash, placing an emphasis on reducing our cost structure and managing cash efficiently.

The Hosiery segment gross profit was lower by $16 million in the six months of 2009 compared to 2008. The lower gross profit for the six months of 2009 compared to 2008 is the result of lower sales volume of $16 million and higher other manufacturing costs of $6 million, partially offset by higher product pricing of $6 million and lower sales incentives of $2 million.

As a percent of segment net sales, gross profit in the Hosiery segment was 46.2% in the six months of 2009 compared to 51.3% in 2008, declining as a result of the items described above.

The lower Hosiery segment operating profit in the six months of 2009 compared to 2008 is primarily attributable to lower gross profit, partially offset by lower distribution expenses of $2 million and lower technology expenses of $1 million. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to such segment. The allocation methodology for the consolidated selling, general and administrative expenses for the six months of 2009 is consistent with 2008. Our consolidated selling, general and administrative expenses before segment allocations was $67 million lower in the six months of 2009 compared to 2008.

Other

	Six Months Ended			
	July 4, 2009	June 28, 2008	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 8,277	$ 15,295	$ (7,018)	(45.9)%
Segment operating profit	(2,683)	(10)	(2,673)	NM

Sales in our Other segment consist of sales of nonfinished fabric and yarn to third parties which are intended to maintain asset utilization at certain manufacturing facilities and generate break even margins. We expect sales of our Other segment to continue to be insignificant to us as we complete the implementation of our consolidation and globalization efforts.

General Corporate Expenses

General corporate expenses were higher in the six months of 2009 compared to 2008 primarily due to $5 million of higher foreign exchange transaction losses and $4 million of higher start-up and shut-down costs associated with the consolidation and globalization of our supply chain, partially offset by $3 million of higher gains on sales of assets.

Liquidity and Capital Resources

Trends and Uncertainties Affecting Liquidity

Our primary sources of liquidity are cash generated by operations and availability under our Revolving Loan Facility and our international loan facilities. At July 4, 2009, we had $415 million of borrowing availability under our $500 million Revolving Loan Facility (after taking into account outstanding letters of credit), $48 million in cash and cash equivalents and $67 million of borrowing availability under our international loan facilities. 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.

The following has or is expected to impact liquidity:

- we have principal and interest obligations under our long-term debt;
- we expect to continue to invest in efforts to improve operating efficiencies and lower costs;
- we expect to continue to add new lower-cost manufacturing capacity in Asia, Central America and the Caribbean Basin;
- we could increase or decrease the portion of the income of our foreign subsidiaries that is expected to be remitted to the United States, which could significantly impact our effective income tax rate; and
- our board of directors has authorized the repurchase of up to 10 million shares of our stock in the open market over the next few years (2.8 million of which we have repurchased as of July 4, 2009 at a cost of $75 million), although we may choose not to repurchase any stock and instead focus on the repayment of our debt in the next 12 months in light of the current economic recession.

We are operating in an uncertain and volatile economic environment, which could have unanticipated adverse effects on our business. The retail environment has been impacted by recent volatility in the financial markets, including declines in stock prices, and by uncertain economic conditions. Increases in food and fuel prices, changes in the credit and housing markets leading to the current financial and credit crisis, actual and potential job losses among many sectors of the economy, significant declines in the stock market resulting in large losses to consumer retirement and investment accounts, and uncertainty regarding future federal tax and economic policies have all added to declines in consumer confidence and curtailed retail spending.

We expect the weak retail environment to continue and do not expect macroeconomic conditions to be conducive to growth in 2009. We also expect substantial pressure on profitability due to the economic climate, increased pension costs and increased costs associated with implementing our price increase which became effective in February 2009, including repackaging costs. Our results in the first half of 2009 were impacted by higher costs for cotton and oil-related materials incurred in 2008 however we started to benefit in the second quarter from lower cotton costs and will begin to benefit in the second half of 2009 from the lower oil-related material costs and improved other manufacturing costs. In addition, hosiery products continue to be more adversely impacted by reduced consumer discretionary spending than other apparel categories. The Hosiery segment only comprised 5% of our net sales in the first six months of 2009 however, and as a result, the decline in the Hosiery segment has not had a significant impact on our net sales or cash flows. Generally, we manage the Hosiery segment for cash, placing an emphasis on reducing our cost structure and managing cash efficiently.

We expect to be able to manage our working capital levels and capital expenditure amounts to maintain sufficient levels of liquidity. Factors that could help us in these efforts include the domestic gross price increase of 4% which became effective in February 2009, lower commodity costs in the second half of the year, the ability to execute previously discussed discretionary spending cuts and the realization of additional cost benefits from previous restructuring and related actions. Depending on conditions in the capital markets and other factors, we will from time to time consider other financing transactions, the proceeds of which could be used to refinance current indebtedness or for other purposes. We continue to monitor the impact, if any, of the current conditions in the credit markets on our operations. Our access to financing at reasonable interest rates could become influenced by the economic and credit market environment.

On March 10, 2009, we entered into a Third Amendment (the “Third Amendment”) to the Senior Secured Credit Facility dated as of September 5, 2006. Pursuant to the Third Amendment, the ratio of debt to EBITDA (earnings before income taxes, depreciation expense and amortization) for the preceding four quarters, or leverage ratio, was increased from 3.75 to 1 in the first quarter of 2009 to 4.25 to 1, from 3.5 to 1 in the second quarter of 2009 to 4.2 to 1, from 3.25 to 1 in the third quarter of 2009 to 3.95 to 1, and from 3.0 to 1 in the fourth quarter of 2009 to 3.6 to 1. After 2009, the leverage ratio will decrease from 3.6 to 1 until it reaches 3.0 to 1 in the third quarter of 2011. In addition, pursuant to the Third Amendment, the ratio of EBITDA for the preceding four quarters to consolidated interest expense for such period, or interest coverage ratio, was decreased from 3.0 to 1 in the second and third quarters of 2009 to 2.5 to 1 and from 3.25 to 1 in the fourth quarter of 2009 to 2.5 to 1. After 2009, the interest coverage ratio will increase from 2.5 to 1 until it reaches 3.25 to 1 in the third quarter of 2011. We ended the second quarter of 2009 with a leverage ratio, as calculated under the Senior Secured Credit Facility, the Second Lien Credit Facility and the Accounts Receivable Securitization Facility, of 3.88 to 1.

At our option, borrowings under the Senior Secured Credit Facility may be maintained from time to time as (a) “Base Rate” loans, which bear interest at the higher of (i) 1/2 of 1% in excess of the federal funds rate and (ii) the rate published in the Wall Street Journal as the “prime rate” (or equivalent), in each case in effect from time to time, plus the applicable margin in effect from time to time, or (b) LIBOR-based loans, which bear interest at the “LIBO Rate” (as defined in the Senior Secured Credit Facility and adjusted for maximum reserves), for the respective interest period plus the applicable margin in effect from time to time. Pursuant to the Third Amendment, the applicable margins for the Senior Secured Credit Facility were increased by 300 basis points.

The Third Amendment also provides for certain other amendments to the Senior Secured Credit Facility, including increasing the percentage of “Excess Cash Flow” as calculated pursuant to the Senior Secured Credit Facility, which is used to determine whether, and the extent to which, we are required in certain circumstances to make certain mandatory prepayments.

On March 16, 2009, we and our wholly-owned bankruptcy remote subsidiary, HBI Receivables LLC (“HBI Receivables”), entered into Amendment No. 1 (the “First Amendment”) to the Accounts Receivable Securitization Facility dated as of November 27, 2007. The Accounts Receivable Securitization Facility contains the same leverage ratio and interest coverage ratio provisions as the Senior Secured Credit Facility. The First Amendment effects the same changes to the leverage ratio and the interest coverage ratio that are effected by the Third Amendment described above. Pursuant to the First Amendment, the rate that would be payable to the conduit purchasers or the committed purchasers party to the Accounts Receivable Securitization Facility in the event of certain defaults is increased from 1% over the prime rate to 3% over the greatest of (i) the one-month LIBO rate plus 1%, (ii) the weighted average rates on federal funds transactions plus 0.5%, or (iii) the prime rate. Also pursuant to the First Amendment, several of the factors that contribute to the overall availability of funding have been amended in a manner that would be expected to generally reduce the amount of funding that will be available under the Accounts Receivable Securitization Facility. The First Amendment also provides for certain other amendments to the Accounts Receivable Securitization Facility, including changing the termination date for the Accounts Receivable Securitization Facility from November 27, 2010 to March 15, 2010, and requiring that HBI Receivables make certain payments to a conduit purchaser, a committed purchaser, or certain entities that provide funding to or are affiliated with them, in the event that assets and liabilities of a conduit purchaser are consolidated for financial and/or regulatory accounting purposes with certain other entities.

On April 13, 2009, we and HBI Receivables entered into Amendment No. 2 (the "Second Amendment") to the Accounts Receivable Securitization Facility. Pursuant to the Second Amendment, several of the factors that contribute to the overall availability of funding have been amended in a manner that is expected to generally increase over time the amount of funding that will be available under the Accounts Receivable Securitization Facility as compared to the amount that would be available pursuant to the First Amendment. The Second Amendment also provides for certain other amendments to the Accounts Receivable Securitization Facility, including changing the termination date for the Accounts Receivable Securitization Facility from March 15, 2010 to April 12, 2010. In addition, HSBC Securities (USA) Inc. replaced JPMorgan Chase Bank, N.A. as agent under the Accounts Receivable Securitization Facility, PNC Bank, N.A. replaced JPMorgan Chase Bank, N.A. as a managing agent, and PNC Bank, N.A. and an affiliate of PNC Bank, N.A. replaced affiliates of JPMorgan Chase Bank, N.A. as a committed purchaser and a conduit purchaser, respectively.

As of July 4, 2009, we were in compliance with all covenants under our credit facilities.

We are required under the Senior Secured Credit Facility and the Second Lien Credit Facility to hedge a portion of our floating rate debt to reduce interest rate risk caused by floating rate debt issuance. Given the recent turmoil in the financial and credit markets, we expanded our interest rate hedging portfolio at what we believe to be advantageous rates that are expected to minimize our overall interest rate risk. At July 4, 2009, we have outstanding hedging arrangements whereby we capped the interest rate on $400 million of our floating rate debt at 3.50%. We also entered into interest rate swaps tied to the 3-month and 6-month LIBOR rates whereby we fixed the interest rate on an aggregate of $1.4 billion of our floating rate debt at a blended rate of approximately 4.16%. Approximately 81% of our total debt outstanding at July 4, 2009 is at a fixed or capped LIBOR rate. The table below summarizes our interest rate derivative portfolio with respect to our long-term debt as of July 4, 2009.

	Amount	LIBOR	Interest Rate Spreads	Hedge Expiration Dates
Debt covered by interest rate caps:				
Senior Secured and Second Lien Credit Facilities	$ 400,000	3.50%	3.75% to 4.75%	October 2009
Debt covered by interest rate swaps:				
Floating Rate Notes	493,680	4.26%	3.38%	December 2012
Senior Secured and Second Lien Credit Facilities	500,000	5.14% to 5.18%	3.75% to 4.75%	October 2009 - October 2011
Senior Secured and Second Lien Credit Facilities	400,000	2.80%	3.75% to 4.75%	October 2010
Unhedged debt:				
Accounts Receivable Securitization Facility	226,000	Not applicable	Not applicable	Not applicable
Senior Secured and Second Lien Credit Facilities	200,250	Not applicable	Not applicable	Not applicable
	$ 2,219,930			

Moody's Investors Service's ("Moody's") corporate credit rating for our company is Ba3 and Standard & Poor's Ratings Services' ("Standard & Poor's") corporate credit rating for us is BB-. The current outlook of Standard & Poor's for our company is "stable." In March 2009, Moody's changed our current outlook to "negative" and affirmed all of our ratings including the Ba3 corporate credit and probability of default ratings and the speculative grade liquidity rating of SGL-2. Moody's indicated that the outlook revision was primarily triggered by softening sales performance in the second half of 2008 and expectations that negative trends are likely to persist into 2009. Moody's also indicated that affirmation of our speculative grade liquidity rating reflects the positive impact on our liquidity from the recent amendments to our Senior Secured Credit Facility and Accounts Receivable Securitization Facility, which provide us with greater cushion under our financial covenants.

Cash Requirements for Our Business

We rely on our cash flows generated from operations and the borrowing capacity under our Revolving Loan 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, restructuring costs, 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 liquidity needs. In light of the current economic environment and our outlook for 2009, we expect to use excess cash flows to pay down long-term debt of approximately $300 million rather than to repurchase our stock or make discretionary contributions to our pension plans.

The implementation of our consolidation and globalization strategy, which is designed to improve operating efficiencies and lower costs, has resulted and is likely to continue to result in significant costs in the short-term and generate savings for the next six months. As further plans are developed and approved, we expect to recognize additional restructuring costs as we eliminate duplicative functions within the organization and transition a significant portion of our manufacturing capacity to lower-cost locations. During the six months of 2009 we recognized $37 million in restructuring and related charges for our restructuring actions.

Capital spending could vary significantly from year to year as we continue to execute our supply chain consolidation and globalization strategy and complete the integration and consolidation of our technology systems. We spent $78 million on capital expenditures during the six months of 2009 which represents approximately 65% of planned expenditures for the full year in 2009. We will place emphasis in the near term on careful management of our capital expenditures in 2009 and 2010. Capital spending in any given year over the next two years could be in excess of our annual depreciation and amortization expense until the completion of the actions related to our globalization strategy at which time we would expect our annual capital spending to be relatively comparable to our annual depreciation and amortization expense.

In March 2009, the IRS published guidance regarding pension funding requirements for 2009, which allowed for the selection of a monthly discount rate from any month within a five-month lookback period prior to the pension plan year-end as compared to the use of the December 2008 monthly discount rate in the valuation of liabilities. Applying the October 2008 monthly discount rate in accordance with this new IRS guidance, the funded status of our U.S. qualified pension plans as of January 3, 2009, the date as of which pension contributions are determined for 2009, was 86% rather than 75% as previously reported. The estimated funded status as of July 4, 2009 decreased to approximately 71%. In connection with closing a manufacturing facility in early 2009, we, as required, notified the Pension Benefit Guaranty Corporation (the “PBGC”) of the closing and requested a liability determination under section 4062(e) of the Employee Retirement Income Security Act of 1974 with respect to the National Textiles, L.L.C. Pension Plan. We are currently working with the PBGC to analyze the impact of the closing on the timing and amount of contributions that must be made to the plan as a result of the closing. While no final amount of required contributions has been determined, we do not anticipate the amount to exceed $14 million in 2009. In addition, the final amount of pension contributions to be made during 2009 is determined based on funding calculations which have not yet been completed by our actuaries, and we therefore may be required to make additional pension contributions in 2009. We may also elect to make other voluntary contributions to avoid certain benefit payment restrictions under the Pension Protection Act.

There have been no other significant changes in the cash requirements for our business from those described in our Annual Report on Form 10-K for the year ended January 3, 2009.

Sources and Uses of Our Cash

The information presented below regarding the sources and uses of our cash flows for the six months ended July 4, 2009 and June 28, 2008 was derived from our consolidated financial statements.

	Six Months Ended	
	July 4, 2009	June 28, 2008
	(dollars in thousands)	
Operating activities	$ 26,517	$ (49,962)
Investing activities	(69,037)	(74,020)
Financing activities	22,828	45,533
Effect of changes in foreign currency exchange rates on cash	(89)	1,131
Decrease in cash and cash equivalents	(19,781)	(77,318)
Cash and cash equivalents at beginning of year	67,342	174,236
Cash and cash equivalents at end of period	$ 47,561	$ 96,918

Operating Activities

Net cash provided by operating activities was $27 million in the six months of 2009 compared to net cash used in operating activities of $50 million in the six months of 2008. The net increase in cash from operating activities of $77 million for the six months of 2009 compared to the six months of 2008 is primarily attributable to significantly lower uses of our working capital of $159 million, partially offset by lower net income of $82 million. In the six months of 2008 inventories grew by $221 million due to increased commodity costs and levels needed to service our business as we continued to execute our consolidation and globalization strategy. Inventory decreased $59 million from January 3, 2009 primarily due to decreases in input costs such as cotton, oil and freight. We continually monitor our inventory levels to best balance current supply and demand with potential future demand that typically surges when consumers no longer postpone purchases in our product categories. Over the next six months, we expect to decrease our inventory levels to approximately $1.15 billion as we complete the execution of our supply chain consolidation and globalization strategy.

Investing Activities

Net cash used in investing activities was $69 million in the six months of 2009 compared to $74 million in the six months of 2008. The lower net cash used in investing activities of $5 million for the six months of 2009 compared to the six months of 2008 was primarily the result of an acquisition of a sewing operation in Thailand for $10 million in the six months of 2008, partially offset by higher spending on capital expenditures in the six months of 2009 compared to the six months of 2008. During the six months of 2009, gross capital expenditures were $78 million as we continued to build out our textile and sewing network in Asia, Central America and the Caribbean Basin and approximated 65% of our planned spending for all of 2009. As we continue to ramp up these facilities in 2009, our capital spending will decrease over the remainder of 2009.

Financing Activities

Net cash provided by financing activities was $23 million in the six months of 2009 compared to $46 million in the six months of 2008. The lower net cash provided by financing activities of $23 million for the six months of 2009 compared to the six months of 2008 was primarily the result of payments of $22 million for debt amendment fees associated with the amendments of the Senior Secured Credit Facility and the Accounts Receivable Securitization Facility in 2009. Lower net borrowings on notes payable of $37 million and higher repayments of $17 million on the Accounts Receivable Securitization Facility, partially offset by higher net borrowings of $60 million under the Revolving Loan Facility also contributed to the lower net cash provided by financing activities in the six months of 2009 compared to the six months of 2008. In addition, we received $18 million in cash from Sara Lee in the six months of 2008 that partially offset stock repurchases of $11 million in the six months of 2008.

Cash and Cash Equivalents

As of July 4, 2009 and January 3, 2009, cash and cash equivalents were $48 million and $67 million, respectively. The lower cash and cash equivalents as of July 4, 2009 was primarily the result of cash provided by operating activities of $27 million and net cash provided by financing activities of $23 million that partially offset the net cash used in investing activities of $69 million.

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 Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended January 3, 2009.

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 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 consolidated 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 January 3, 2009. There have been no material changes in these policies during the six months ended July 4, 2009.

Recently Issued Accounting Pronouncements

Employers' Disclosures about Postretirement Benefit Plan Assets

In December 2008, the FASB issued Staff Position No. FAS 132(R)-1, Employers' Disclosures about Postretirement Benefit Plan Assets ("FSP 132(R)-1"). FSP 132(R)-1 expands the disclosure requirements of FASB Statement No. 132(R) to include more detailed disclosures about an employers' plan assets, including employers' investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets, similar to the disclosure requirements of SFAS 157. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009. Since FSP 132(R)-1 only requires additional disclosures, adoption of the statement is not expected to have a material impact on our financial condition, results of operations or cash flows.

Accounting for Transfers of Financial Assets

In June 2009, the FASB issued Statement No. 166, Accounting for Transfers of Financial Assets ("SFAS 166"). SFAS 166 amends the derecognition guidance and the accounting and disclosures required by FASB Statement No. 140. SFAS 166 is effective for financial asset transfers occurring after the beginning of our first fiscal year that begins after November 15, 2009. We are evaluating the impact of adoption of this statement on our financial condition, results of operations and cash flows.

Amendments to FASB Interpretation No. 46(R)

In June 2009, the FASB issued Statement No. 167, Amendments to FASB Interpretation No. 46(R) ("SFAS 167"). SFAS 167 amends the consolidation guidance that applies to variable interest entities. SFAS 167 is effective for our first fiscal year that begins after November 15, 2009. We are evaluating the impact of adoption of this statement on our financial condition, results of operations and cash flows.

The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162

In June 2009, the FASB issued Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162 (“SFAS 168”). SFAS 168 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

We are required under the Senior Secured Credit Facility and the Second Lien Credit Facility to hedge a portion of our floating rate debt to reduce interest rate risk caused by floating rate debt issuance. Given the recent turmoil in the financial and credit markets, we expanded our interest rate hedging portfolio at what we believe to be advantageous rates that are expected to minimize our overall interest rate risk. At July 4, 2009, we have outstanding hedging arrangements whereby we capped the LIBOR interest rate component on $400 million of our floating rate debt at 3.50%. We also entered into interest rate swaps tied to the 3-month and 6-month LIBOR rates whereby we fixed the LIBOR interest rate component on an aggregate of $1.4 billion of our floating rate debt at a blended rate of approximately 4.16%. Approximately 81% of our total debt outstanding at July 4, 2009 is at a fixed or capped LIBOR rate. Due to the recent significant changes in the credit markets, the fair values of our interest rate hedging instruments have increased approximately $18 million during the six months ended July 4, 2009. As these derivative instruments are accounted for as hedges, the change in fair value has been deferred into Accumulated Other Comprehensive Loss in our Condensed Consolidated Balance Sheets until the hedged transactions impact our earnings.

Cotton is the primary raw material we use to manufacture many of our products. While we attempt to protect our business from the volatility of the market price of cotton through short-term supply agreements and hedges from time to time, our business can be adversely affected by dramatic movements in cotton prices. The cotton prices reflected in our results were 62 cents per pound for the six months ended July 4, 2009. After taking into consideration the cotton costs currently included in our inventory and short-term supply agreements, we expect our cost of cotton to average 55 cents per pound for the full year of 2009 compared to 65 cents per pound for 2008. The ultimate effect of these pricing levels on our earnings cannot be quantified, as the effect of movements in cotton prices on industry selling prices are uncertain, but any dramatic increase in the price of cotton could have a material adverse effect on our business, results of operations, financial condition and cash flows.

There have been no other 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 January 3, 2009.

Item 4. *Controls and Procedures*

As required by Exchange Act Rule 13a-15(b), our management, including the 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, the 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 the 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.

Item 4T. ***Controls and Procedures***

Not applicable.

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 or financial condition.

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. ***Submission of Matters to a Vote of Security Holders***

Our 2009 Annual Meeting of Stockholders (the "Annual Meeting") was held on April 28, 2009 in New York, New York. A total of 83,249,093 shares of our common stock (87.91% of all shares entitled to vote at the Annual Meeting) were represented at the Annual Meeting, in person or by proxy. Our stockholders were asked to elect nine directors, and all nominees were elected, as indicated by the following voting tabulation:

Name of Nominee	For	Withheld
Lee A. Chaden	74,449,721	8,799,372
Bobby J. Griffin	74,570,044	8,679,049
James C. Johnson	74,540,921	8,708,172
Jessica T. Mathews	74,560,484	8,688,609
J. Patrick Mulcahy	74,528,706	8,720,387
Ronald L. Nelson	74,188,432	9,060,661
Richard A. Noll	73,714,509	9,534,584
Andrew J. Schindler	74,123,272	9,125,821
Ann E. Ziegler	74,529,168	8,719,925

Our stockholders were also asked to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our 2009 fiscal year. Of the total votes cast, 82,913,210 votes were cast for the proposal, 208,931 votes were cast against the proposal, and there were 126,952 abstentions.

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.

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/ E. Lee Wyatt Jr.
E. Lee Wyatt Jr.
Executive Vice President,
Chief Financial Officer

Date: August 6, 2009

INDEX TO EXHIBITS

Exhibit 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).
3.4	Certificate of Formation of BA International, L.L.C. (incorporated by reference from Exhibit 3.4 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.5	Limited Liability Company Agreement of BA International, L.L.C. (incorporated by reference from Exhibit 3.5 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.6	Certificate of Incorporation of Caribesock, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.6 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.7	Bylaws of Caribesock, Inc. (incorporated by reference from Exhibit 3.7 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.8	Certificate of Incorporation of Caribetex, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.8 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.9	Bylaws of Caribetex, Inc. (incorporated by reference from Exhibit 3.9 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.10	Certificate of Formation of CASA International, LLC (incorporated by reference from Exhibit 3.10 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.11	Limited Liability Company Agreement of CASA International, LLC (incorporated by reference from Exhibit 3.11 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.12	Certificate of Incorporation of Ceibena Del, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.12 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.13	Bylaws of Ceibena Del, Inc. (incorporated by reference from Exhibit 3.13 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.14	Certificate of Formation of Hanes Menswear, LLC, together with Certificate of Conversion from a Corporation to a Limited Liability Company Pursuant to Section 18-214 of the Limited Liability Company Act and Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.14 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).

Exhibit Number	Description
3.15	Limited Liability Company Agreement of Hanes Menswear, LLC (incorporated by reference from Exhibit 3.15 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.16	Certificate of Incorporation of HPR, Inc., together with Certificate of Merger of Hanes Puerto Rico, Inc. into HPR, Inc. (now known as Hanes Puerto Rico, Inc.) (incorporated by reference from Exhibit 3.16 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.17	Bylaws of Hanes Puerto Rico, Inc. (incorporated by reference from Exhibit 3.17 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.18	Articles of Organization of Sara Lee Direct, LLC, together with Articles of Amendment reflecting the change of the entity's name to Hanesbrands Direct, LLC (incorporated by reference from Exhibit 3.18 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.19	Limited Liability Company Agreement of Sara Lee Direct, LLC (now known as Hanesbrands Direct, LLC) (incorporated by reference from Exhibit 3.19 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.20	Certificate of Incorporation of Sara Lee Distribution, Inc., together with Certificate of Amendment of Certificate of Incorporation of Sara Lee Distribution, Inc. reflecting the change of the entity's name to Hanesbrands Distribution, Inc. (incorporated by reference from Exhibit 3.20 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.21	Bylaws of Sara Lee Distribution, Inc. (now known as Hanesbrands Distribution, Inc.) (incorporated by reference from Exhibit 3.21 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.22	Certificate of Formation of HBI Branded Apparel Enterprises, LLC (incorporated by reference from Exhibit 3.22 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.23	Operating Agreement of HBI Branded Apparel Enterprises, LLC (incorporated by reference from Exhibit 3.23 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.24	Certificate of Incorporation of HBI Branded Apparel Limited, Inc. (incorporated by reference from Exhibit 3.24 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.25	Bylaws of HBI Branded Apparel Limited, Inc. (incorporated by reference from Exhibit 3.25 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.26	Certificate of Formation of HbI International, LLC (incorporated by reference from Exhibit 3.26 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.27	Limited Liability Company Agreement of HbI International, LLC (incorporated by reference from Exhibit 3.27 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.28	Certificate of Formation of SL Sourcing, LLC, together with Certificate of Amendment to the Certificate of Formation of SL Sourcing, LLC reflecting the change of the entity's name to HBI Sourcing, LLC (incorporated by reference from Exhibit 3.28 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).

Exhibit Number	Description
3.29	Limited Liability Company Agreement of SL Sourcing, LLC (now known as HBI Sourcing, LLC) (incorporated by reference from Exhibit 3.29 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.30	Certificate of Formation of Inner Self LLC (incorporated by reference from Exhibit 3.30 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.31	Limited Liability Company Agreement of Inner Self LLC (incorporated by reference from Exhibit 3.31 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.32	Certificate of Formation of Jasper-Costa Rica, L.L.C. (incorporated by reference from Exhibit 3.32 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.33	Amended and Restated Limited Liability Company Agreement of Jasper-Costa Rica, L.L.C. (incorporated by reference from Exhibit 3.33 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.34	Certificate of Formation of Playtex Dorado, LLC, together with Certificate of Conversion from a Corporation to a Limited Liability Company Pursuant to Section 18-214 of the Limited Liability Company Act (incorporated by reference from Exhibit 3.36 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.35	Amended and Restated Limited Liability Company Agreement of Playtex Dorado, LLC (incorporated by reference from Exhibit 3.37 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.36	Certificate of Incorporation of Playtex Industries, Inc. (incorporated by reference from Exhibit 3.38 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.37	Bylaws of Playtex Industries, Inc. (incorporated by reference from Exhibit 3.39 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.38	Certificate of Formation of Seamless Textiles, LLC, together with Certificate of Conversion from a Corporation to a Limited Liability Company Pursuant to Section 18-214 of the Limited Liability Company Act (incorporated by reference from Exhibit 3.40 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.39	Limited Liability Company Agreement of Seamless Textiles, LLC (incorporated by reference from Exhibit 3.41 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.40	Certificate of Incorporation of UPCR, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.42 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.41	Bylaws of UPCR, Inc. (incorporated by reference from Exhibit 3.43 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.42	Certificate of Incorporation of UPEL, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.44 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).

Exhibit Number	Description
3.43	Bylaws of UPEL, Inc. (incorporated by reference from Exhibit 3.45 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
31.1	Certification of Richard A. Noll, Chief Executive Officer.
31.2	Certification of E. Lee Wyatt Jr., Chief Financial Officer.
32.1	Section 1350 Certification of Richard A. Noll, Chief Executive Officer.
32.2	Section 1350 Certification of E. Lee Wyatt Jr., Chief Financial Officer.

CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Richard A. Noll, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hanesbrands Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Richard A. Noll
Richard A. Noll
Chief Executive Officer

Date: August 6, 2009

CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, E. Lee Wyatt Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hanesbrands Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ E. Lee Wyatt Jr.
E. Lee Wyatt Jr.
Executive Vice President,
Chief Financial Officer

Date: August 6, 2009

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hanesbrands Inc. (“Hanesbrands”) on Form 10-Q for the fiscal quarter ended July 4, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard A. Noll, Chief Executive Officer of Hanesbrands, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Hanesbrands.

/s/ Richard A. Noll
Richard A. Noll
Chief Executive Officer

Date: August 6, 2009

The foregoing certification is being furnished to accompany Hanesbrands Inc.’s Quarterly Report on Form 10-Q for the fiscal quarter ended July 4, 2009 (the “Report”) solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Hanesbrands Inc. that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Hanesbrands Inc. and will be retained by Hanesbrands Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hanesbrands Inc. (“Hanesbrands”) on Form 10-Q for the fiscal quarter ended July 4, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, E. Lee Wyatt, Jr., Chief Financial Officer of Hanesbrands, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Hanesbrands.

/s/ E. Lee Wyatt Jr.
E. Lee Wyatt Jr.
Executive Vice President,
Chief Financial Officer

Date: August 6, 2009

The foregoing certification is being furnished to accompany Hanesbrands Inc.’s Quarterly Report on Form 10-Q for the fiscal quarter ended July 4, 2009 (the “Report”) solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Hanesbrands Inc. that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Hanesbrands Inc. and will be retained by Hanesbrands Inc. and furnished to the Securities and Exchange Commission or its staff upon request.