
**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 June 30, 2018
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number: 001-32891

Hanesbrands Inc.

(Exact name of registrant as specified in its charter)

Maryland
(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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of July 27, 2018, there were 360,507,281 shares of the registrant's common stock outstanding.

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FORWARD-LOOKING STATEMENTS

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

Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is based on the current plans and expectations of our management, expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that the expectation or belief will result or will be achieved or accomplished. More information on factors that could cause actual results or events to differ materially from those anticipated is included from time to time in our reports filed with the Securities and Exchange Commission (the “SEC”), including this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 30, 2017, under the caption “Risk Factors,” and available on the “Investors” section of our corporate website, www.Hanes.com/investors.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q or our Annual Report on Form 10-K for the year ended December 30, 2017, particularly under the caption “Risk Factors.” We undertake no obligation to update or revise forward-looking statements that may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events, other than as required by law.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can read our SEC filings over the Internet at the SEC’s website at www.sec.gov. To receive copies of public records not posted to the SEC’s web site at prescribed rates, you may complete an online form at www.sec.gov, send a fax to (202) 772-9337 or submit a written request to the SEC, Office of FOIA/PA Operations, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information.

We make available free of charge at www.Hanes.com/investors (in the “Investors” section) copies of materials we file with, or furnish to, the SEC. By referring to our corporate website, www.Hanes.com/corporate, or any of our other websites, we do not incorporate any such website 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	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net sales	\$ 1,715,443	\$ 1,646,610	\$ 3,186,947	\$ 3,026,965
Cost of sales	1,055,487	1,000,708	1,948,070	1,841,532
Gross profit	659,956	645,902	1,238,877	1,185,433
Selling, general and administrative expenses	439,893	412,197	872,756	825,299
Operating profit	220,063	233,705	366,121	360,134
Other expenses	6,570	6,422	12,331	12,967
Interest expense, net	48,430	44,130	94,193	86,267
Income from continuing operations before income tax expense	165,063	183,153	259,597	260,900
Income tax expense	24,430	10,989	39,555	15,654
Income from continuing operations	140,633	172,164	220,042	245,246
Income (loss) from discontinued operations, net of tax	—	368	—	(2,097)
Net income	<u>\$ 140,633</u>	<u>\$ 172,532</u>	<u>\$ 220,042</u>	<u>\$ 243,149</u>
Earnings (loss) per share — basic:				
Continuing operations	\$ 0.39	\$ 0.47	\$ 0.61	\$ 0.66
Discontinued operations	—	—	—	(0.01)
Net income	<u>\$ 0.39</u>	<u>\$ 0.47</u>	<u>\$ 0.61</u>	<u>\$ 0.66</u>
Earnings (loss) per share — diluted:				
Continuing operations	\$ 0.39	\$ 0.47	\$ 0.61	\$ 0.66
Discontinued operations	—	—	—	(0.01)
Net income	<u>\$ 0.39</u>	<u>\$ 0.47</u>	<u>\$ 0.61</u>	<u>\$ 0.65</u>

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS INC.
Condensed Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

	Quarter Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net income	\$ 140,633	\$ 172,532	\$ 220,042	\$ 243,149
Other comprehensive income (loss), net of tax of (\$9,982), \$2,351, (\$11,079) and \$6,443, respectively	(21,855)	(11,928)	(33,348)	4,298
Comprehensive income	\$ 118,778	\$ 160,604	\$ 186,694	\$ 247,447

See accompanying notes to Condensed Consolidated Financial Statements.

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

	June 30, 2018	December 30, 2017
Assets		
Cash and cash equivalents	\$ 397,971	\$ 421,566
Trade accounts receivable, net	973,807	903,318
Inventories	2,112,211	1,874,990
Other current assets	132,757	186,496
Total current assets	3,616,746	3,386,370
Property, net	617,302	623,991
Trademarks and other identifiable intangibles, net	1,610,567	1,402,857
Goodwill	1,259,010	1,167,007
Deferred tax assets	218,269	234,932
Other noncurrent assets	105,992	79,618
Total assets	\$ 7,427,886	\$ 6,894,775
Liabilities and Stockholders' Equity		
Accounts payable	\$ 935,176	\$ 867,649
Accrued liabilities	506,360	649,634
Notes payable	14,540	11,873
Accounts Receivable Securitization Facility	153,386	125,209
Current portion of long-term debt	181,349	124,380
Total current liabilities	1,790,811	1,778,745
Long-term debt	4,149,201	3,702,054
Pension and postretirement benefits	388,256	405,238
Other noncurrent liabilities	332,427	322,536
Total liabilities	6,660,695	6,208,573
Stockholders' equity:		
Preferred stock (50,000,000 authorized shares; \$.01 par value)		
Issued and outstanding — None	—	—
Common stock (2,000,000,000 authorized shares; \$.01 par value)		
Issued and outstanding — 360,503,574 and 360,125,894, respectively	3,605	3,601
Additional paid-in capital	275,120	271,462
Retained earnings	961,020	850,345
Accumulated other comprehensive loss	(472,554)	(439,206)
Total stockholders' equity	767,191	686,202
Total liabilities and stockholders' equity	\$ 7,427,886	\$ 6,894,775

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended	
	June 30, 2018	July 1, 2017
Operating activities:		
Net income	\$ 220,042	\$ 243,149
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization of long-lived assets	65,493	58,095
Write-off on early extinguishment of debt	—	1,559
Amortization of debt issuance costs	4,627	5,437
Stock compensation expense	3,033	4,388
Deferred taxes and other	(6,709)	6,543
Changes in assets and liabilities, net of acquisition of business:		
Accounts receivable	(81,512)	(79,429)
Inventories	(244,743)	(130,554)
Other assets	(6,193)	(48,901)
Accounts payable	68,777	9,019
Accrued pension and postretirement benefits	(7,438)	11,025
Accrued liabilities and other	(79,775)	(46,081)
Net cash from operating activities	(64,398)	34,250
Investing activities:		
Purchases of property, plant and equipment	(40,640)	(30,838)
Proceeds from sales of assets	1,840	4,378
Acquisition of business, net of cash acquired	(334,916)	(524)
Disposition of businesses	—	40,285
Net cash from investing activities	(373,716)	13,301
Financing activities:		
Borrowings on notes payable	153,901	141,384
Repayments on notes payable	(153,772)	(128,987)
Borrowings on Accounts Receivable Securitization Facility	114,477	262,216
Repayments on Accounts Receivable Securitization Facility	(86,300)	(103,128)
Borrowings on Revolving Loan Facilities	2,025,860	2,147,299
Repayments on Revolving Loan Facilities	(1,498,000)	(1,747,500)
Repayments on Term Loan Facilities	(21,250)	(128,215)
Repayments on International Debt	(1,105)	(43,141)
Share repurchases	—	(299,919)
Cash dividends paid	(108,115)	(110,529)
Payment of contingent consideration	(3,540)	(41,250)
Taxes paid related to net shares settlement of equity awards	(4,185)	(6,228)
Other	(88)	2,787
Net cash from financing activities	417,883	(55,211)
Effect of changes in foreign exchange rates on cash	20,176	(3,170)
Change in cash, cash equivalents and restricted cash	(55)	(10,830)
Cash and cash equivalents at beginning of year	421,566	460,245
Cash, cash equivalents and restricted cash at end of period	421,511	449,415
Less restricted cash at end of period	23,540	—
Cash and cash equivalents per balance sheet at end of period	\$ 397,971	\$ 449,415

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. and its consolidated subsidiaries (the “Company” or “Hanesbrands”). In the opinion of management, the condensed consolidated interim financial statements reflect all adjustments, which consist only of normal recurring adjustments, necessary to state fairly the results of operations, financial condition and cash flows for the interim periods presented herein. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the reported amounts and disclosures. Actual results may vary from these estimates. Four subsidiaries of the Company close on a day which is less than a week different than the Company’s consolidated quarter end. The difference in reporting of financial information for these subsidiaries did not have a material impact on the Company’s financial condition, results of operations or cash flows.

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 year end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. 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

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)”, a new accounting standard on revenue recognition that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The FASB has subsequently issued updates to the standard to provide additional clarification on specific topics. The new standard was effective for the Company in the first quarter of 2018 and applied using a modified retrospective method. The Company has included enhanced disclosures related to disaggregation of revenue sources and accounting policies. The adoption of the new accounting rules did not have a material impact on the Company’s financial condition, results of operations or cash flows, but did result in additional disclosures. Refer to Note, “Revenue Recognition.”

Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.” The new guidance addresses the classification of debt prepayment and extinguishment costs and contingent consideration payments made after a business combination. The new standard was effective for the Company in the first quarter of 2018. The adoption of the new accounting rules did not have a material impact on the Company’s financial condition, results of operations or cash flows.

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force).” This standard requires that restricted cash and restricted cash equivalents be included in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. The Company adopted the provisions of ASU 2016-18 in the first quarter of 2018 using the retrospective transition method. The Company did not have restricted cash in prior periods, therefore the adoption of the new guidance did not have an impact to previously reported cash flows. The Condensed Consolidated Statement of Cash Flow for the six months ended June 30, 2018 includes restricted cash of \$23,540.

Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, “Compensation - Retirement Benefits (Topic 715): Improving the presentation of net periodic pension cost and net periodic postretirement benefit cost.” The new rules require that an employer

HANESBRANDS INC.

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

report the service cost component in the same line item or items as other compensation costs arising from services rendered by pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The new standard was effective for the Company in the first quarter of 2018 and applied with retrospective treatment. Accordingly, the Company reclassified \$5,028 and \$10,189 from the “Selling, general and administrative expenses” line to the “Other expenses” line within the Condensed Consolidated Statements of Income for the quarter and six months ended July 1, 2017, respectively. The adoption of the new accounting rules did not have a material impact on the Company’s financial condition, results of operations or cash flows.

Income Taxes

In October 2016, the FASB issued ASU 2016-16, “Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory.” The new rules eliminate the exception for an intra-entity transfer of an asset other than inventory, which aligns the recognition of income tax consequences for such transfers. The new rules require the recognition of current and deferred income taxes resulting from these transfers when the transfer occurs rather than when it is sold to an external party. The new standard was effective for the Company in the first quarter of 2018. The adoption of the new accounting rules did not have a material impact on the Company’s financial condition, results of operations or cash flows.

In March 2018, the FASB issued ASU 2018-05, “Income Taxes (Topic 740).” The new rules amended the SEC Staff Accounting Bulletin No. 118 (“SAB 118”) to incorporate the impact of the Tax Cuts and Jobs Act. The new standard was effective for the Company in the first quarter of 2018 and will be considered in the Company’s tax related disclosures throughout the year.

Definition of a Business

In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business.” The new rules provide for the application of a screen test to consider whether substantially all the fair value of the assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If the screen test determines this to be true, the set is not a business. The new standard was effective for the Company in the first quarter of 2018. The adoption of the new accounting rules did not have a material impact on the Company’s financial condition, results of operations or cash flows.

Stock Compensation

In May 2017, the FASB issued ASU 2017-09, “Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting.” The new rules provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Under the new rules, an entity should account for the effects of a modification unless the fair value, vesting conditions and classification of the modified award are the same as the original award immediately before the original award is modified. The new standard was effective for the Company in the first quarter of 2018. The adoption of the new accounting rules did not have a material impact on the Company’s financial condition, results of operations or cash flows.

Financial Instruments

In February 2018, the FASB issued ASU 2018-03, “Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10).” The new rules clarify previously issued guidance regarding determination of the fair value of financial instruments. The new standard will be effective for the Company in the third quarter of 2018. The Company does not expect the adoption of the new accounting standard to have a material impact on the Company’s financial condition, results of operations and cash flows.

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, “Leases,” which will require lessees to recognize a right-of-use asset and a lease liability for all leases that are not short-term in nature. The standard will also result in enhanced quantitative and qualitative disclosures surrounding leases. The new rules will be effective for the Company in the first quarter of 2019. The Company has established a cross-functional implementation team to analyze the impact and implement the new standard. The

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

Company has collected relevant data in order to evaluate lease arrangements, assess potential embedded leases and evaluate accounting policy elections. The Company is also evaluating its processes and internal controls to identify any changes necessary as a result of the new rules. To assist in the implementation and enable the preparation of the required financial disclosures, the Company has identified a global lease management and accounting software. While the Company is still evaluating the impact of the new rules, the Company expects that this adoption will result in material increases in assets and liabilities in its consolidated balance sheet and enhanced disclosures and has not identified any information that would indicate that the new guidance will have a material impact on the Company's results of operations or cash flows.

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." The new rules expand the hedging strategies that qualify for hedge accounting, including contractually-specified price components of a commodity purchase or sale, hedges of the benchmark rate component of the contractual coupon cash flows of fixed-rate assets and liabilities, hedges of the portion of a closed portfolio of prepayable assets and partial-term hedges of fixed-rate assets and liabilities. The new rules also allow additional time to complete hedge effectiveness testing and allow qualitative assessments subsequent to initial quantitative tests if there is a supportable expectation that the hedge will remain highly effective. The new rules will be effective for the Company in the first quarter of 2019, with early adoption permitted. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company's financial condition, results of operations and cash flows.

Comprehensive Income

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The new rules allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The new rules will be effective for the Company in the first quarter of 2019. The Company is in the process of assessing the impact of the new accounting rules on the Company's financial condition and does not expect the adoption of the new accounting rules to have a material impact on the Company's results of operations or cash flows.

Goodwill Impairment

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The new rules simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount. The new rules will be effective for the Company in the first quarter of 2020. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company's financial condition, results of operations and cash flows.

(3) Revenue Recognition

On December 31, 2017, the Company adopted ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("Topic 606") using the modified retrospective method applied to contracts which were pending as of December 31, 2017. Financial results included in the Company's Condensed Consolidated Statement of Income for the quarter and six months ended June 30, 2018 are presented under Topic 606, while prior year amounts have not been restated and continue to be reported in accordance with ASC 605, "Revenue Recognition" ("Topic 605"). As a result of adopting Topic 606, the Company did not adjust opening retained earnings.

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied, which occurs at a point in time, upon either shipment or delivery to the customer. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods, which includes estimates for variable consideration. Variable consideration includes trade discounts, rebates, volume-based incentives, cooperative advertising and product returns, which are offered within contracts between the Company and its customers, employing the practical expedient for contract costs. Incidental items that are immaterial to the context of the contract are recognized as expense at the transaction date.

HANESBRANDS INC.

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

The following table presents the Company's revenues disaggregated by method of purchase:

	<u>Quarter Ended</u>	<u>Six Months Ended</u>
	<u>June 30,</u>	<u>June 30,</u>
	<u>2018</u>	<u>2018</u>
Third-party brick-and-mortar wholesale	\$ 1,345,992	\$ 2,510,300
Consumer-directed	369,451	676,647
Total net sales	<u>\$ 1,715,443</u>	<u>\$ 3,186,947</u>

Revenue Sources*Third-Party Brick-and-Mortar Wholesale Revenue*

Third-party brick-and-mortar wholesale revenue is primarily generated through sales to retailers to support their brick-and-mortar operations. Also included within third-party brick-and-mortar wholesale revenues is revenue from royalty agreements. The Company earns royalties through license agreements with manufacturers of other consumer products that incorporate certain of the Company's brands. The Company accrues revenue earned under these contracts based upon reported sales from the licensees.

Consumer-Directed Revenue

Consumer-directed revenue is primarily generated through sales driven directly by the consumer through company-operated stores and e-commerce platforms, which include both owned sites and the sites of the Company's retail customers.

Variable Consideration*Trade discounts and rebates*

The Company provides customers with discounts and rebates that are explicitly stated in the Company's contracts and are recorded as a reduction of revenue in the period the product revenue is recognized. The cost of these incentives is estimated using a number of factors, including historical utilization and redemption rates. The Company includes incentives offered in the form of free products in the determination of cost of sales.

Volume based incentives

Volume-based incentives involve rebates or refunds of cash that are redeemable only if the customer completes a specified number of sales transactions. Under these incentive programs, the Company estimates the anticipated rebate to be paid and allocates a portion of the estimated cost of the rebate to each underlying sales transaction with the customer.

Cooperative advertising

Under cooperative advertising arrangements, the Company agrees to reimburse the retailer for a portion of the costs incurred by the retailer to advertise and promote certain of the Company's products. The Company recognizes the cost of cooperative advertising programs in the period in which the advertising and promotional activity takes place.

Product returns

The Company generally offers customers a limited right of return for a purchased product. The Company estimates the amount of its product sales that may be returned by its customers and records this as a reduction of revenue in the period the related product revenue is recognized.

For all variable consideration, where appropriate, the Company estimates the amount using the expected value, which takes into consideration historical experience, current contractual requirements, specific known market events and forecasted customer buying and payment patterns. Overall, these reserves reflect the Company's best estimates of the amount of consideration to which the customer is entitled based on the terms of the contracts.

HANESBRANDS INC.

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

(4) Acquisitions***Bras N Things***

On February 12, 2018, the Company acquired 100% of the outstanding equity of BNT Holdco Pty Limited (“Bras N Things”) for a total purchase price of A\$498,236 (US\$391,572), which included a cash payment of A\$428,956 (US\$337,123), an indemnification escrow of A\$31,988 (US\$25,140) and debt assumed of A\$34,280 (US\$26,942). During the quarter ended June 30, 2018, the purchase consideration was reduced by A\$3,012 (US\$2,367) associated with the final working capital adjustment, resulting in a revised purchase price of A\$495,224 (US\$389,205).

U.S. dollar equivalents are based on acquisition date exchange rates. The Company funded the acquisition with a combination of short-term borrowings under its Revolving Loan Facility and cash on hand. The A\$31,988 indemnification escrow is held in a retention account for a period of 18 months after the date of the acquisition to secure indemnification claims or other obligations of the sellers under the purchase agreement. The remaining balance of the indemnification escrow, including interest earned, if any, will be paid to the sellers at the end of the 18 month period. The indemnification escrow, held in one of the Company’s bank accounts, is recognized and classified as restricted cash and included in the “Other noncurrent assets” line of the Condensed Consolidated Balance Sheet.

Bras N Things contributed net revenues of \$47,587 and pretax earnings of \$8,970 (excluding acquisition and integration related charges of approximately \$3,276) since the date of acquisition. The results of Bras N Things have been included in the Company’s condensed consolidated financial statements since the date of acquisition and are reported as part of the International segment.

Bras N Things is a leading intimate apparel retailer and e-commerce business in Australia, New Zealand and South Africa. Bras N Things sells proprietary bras, panties and lingerie sets through a retail network of approximately 170 stores and an e-commerce platform. The Company believes this acquisition will create opportunities for expansion of the Bras N Things’ consumer-directed sales model. Factors that contribute to the amount of goodwill recognized for the acquisition include the value of entry into the outlet store sector, expansion of online presence, including the third-party marketplace, and expected synergies with existing Company functions. Goodwill associated with the acquisition is not tax deductible.

The *Bras N Things* trademark and brand name, which management believes to have an indefinite life, has been valued at \$275,071. Amortizable intangible assets have been assigned values of \$2,358 for noncompete agreements and \$785 for customer lists. Noncompete agreements and the customer list are being amortized over three years.

The allocation of purchase price is preliminary and subject to change. The primary areas of the purchase price allocation that are not yet finalized are related to income taxes and residual goodwill. Accordingly, adjustments may be made to the values of the assets acquired and liabilities assumed as additional information is obtained about the facts and circumstances, which existed at the acquisition date. The acquired assets and liabilities as of the date of acquisition (February 12, 2018) include the following:

Cash and cash equivalents	\$ 2,765
Accounts receivable, net	197
Inventories	9,610
Other current assets	1,637
Property, net	12,013
Trademarks and other identifiable intangibles	278,214
Deferred tax assets and other noncurrent assets	2,539
Total assets acquired	306,975
Accounts payable	4,929
Accrued liabilities and other	16,339
Deferred tax liabilities and other noncurrent liabilities	7,663
Total liabilities assumed	28,931
Net assets acquired	278,044
Goodwill	111,161
Total purchase price	\$ 389,205

HANESBRANDS INC.
Notes to Condensed Consolidated Financial Statements — (Continued)
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Total purchase price of the Bras N Things acquisition consisted of the following components:

Cash consideration paid	\$	337,123
Indemnification escrow asset		25,140
Debt assumed		26,942
Total purchase price	\$	<u>389,205</u>

Since February 12, 2018, goodwill decreased by \$1,463 as a result of measurement period adjustments, primarily related to working capital adjustments.

Unaudited pro forma results of operations for the Company are presented below assuming that the 2018 acquisition of Bras N Things had occurred on January 1, 2017. Pro forma operating results for the quarter and six months ended July 1, 2017 include expenses totaling \$307 and \$1,436 respectively, for acquisition-related adjustments primarily related to inventory and intangible assets.

	Quarter Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net sales	\$ 1,715,443	\$ 1,673,533	\$ 3,205,007	\$ 3,080,706
Net income from continuing operations	141,395	172,226	223,586	248,300
Earnings per share from continuing operations:				
Basic	\$ 0.39	\$ 0.47	\$ 0.62	\$ 0.67
Diluted	0.39	0.47	0.62	0.67

Champion Europe

In 2016, the Company acquired 100% of Champion Europe S.p.A. (“Champion Europe”), in an all-cash transaction valued at €220,751 (US\$245,554) on an enterprise value basis, less working capital adjustments as defined in the purchase agreement, which included an estimated contingent consideration of €40,700 (US\$45,277). The final contingent consideration for the Champion Europe acquisition was determined to be €64,250 (US\$73,738), of which €37,820 (US\$41,250) was paid in April 2017 and €26,430 (US\$32,488) was paid in February 2018. U.S. dollar equivalents are based on acquisition date or payment date exchange rates, as applicable.

(5) Stockholders’ Equity

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

The reconciliation of basic to diluted weighted average shares outstanding is as follows:

	Quarter Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Basic weighted average shares outstanding	362,011	365,911	361,944	370,075
Effect of potentially dilutive securities:				
Stock options	876	1,565	968	1,605
Restricted stock units	367	515	333	466
Employee stock purchase plan and other	—	1	—	1
Diluted weighted average shares outstanding	<u>363,254</u>	<u>367,992</u>	<u>363,245</u>	<u>372,147</u>

There were 14 restricted stock units excluded from the diluted earnings per share calculation because their effect would be anti-dilutive for the quarter and six months ended June 30, 2018. For the quarter and six months ended July 1, 2017, there were no restricted stock units excluded from the diluted earnings per share calculation because their effect would be anti-dilutive. For the quarters and six months ended June 30, 2018 and July 1, 2017, there were no anti-dilutive options to purchase shares of common stock.

HANESBRANDS INC.
Notes to Condensed Consolidated Financial Statements — (Continued)
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For the quarters ended June 30, 2018 and July 1, 2017, the Company declared cash dividends of \$0.15 per share. For the six months ended June 30, 2018 and July 1, 2017, the Company declared cash dividends of \$0.30 per share.

On July 24, 2018, the Company's Board of Directors declared a regular quarterly cash dividend of \$0.15 per share on outstanding shares of common stock to be paid on September 5, 2018 to stockholders of record at the close of business on August 14, 2018.

On April 27, 2016, the Company's Board of Directors approved the current share repurchase program for up to 40,000 shares to be repurchased in open market transactions, subject to market conditions, legal requirements and other factors. The Company did not repurchase any shares during the quarter and six months ended June 30, 2018 and quarter ended July 1, 2017. For the six months ended July 1, 2017, the Company entered into transactions to repurchase 14,696 shares at a weighted average purchase price of \$20.39 per share. The shares were repurchased at a total cost of \$299,919. At June 30, 2018, the remaining repurchase authorization totaled 20,360 shares. The program does not obligate the Company to acquire any particular amount of common stock and may be suspended or discontinued at any time at the Company's discretion.

(6) Inventories

Inventories consisted of the following:

	June 30, 2018	December 30, 2017
Raw materials	\$ 137,205	\$ 129,287
Work in process	214,679	226,659
Finished goods	1,760,327	1,519,044
	<u>\$ 2,112,211</u>	<u>\$ 1,874,990</u>

(7) Debt

Debt consisted of the following:

	Interest Rate as of June 30, 2018	Principal Amount		Maturity Date
		June 30, 2018	December 30, 2017	
Senior Secured Credit Facility:				
Revolving Loan Facility	3.60%	\$ 488,000	\$ —	December 2022
Term Loan A	3.48%	731,250	750,000	December 2022
Term Loan B	3.84%	497,500	500,000	December 2024
Australian Term A-1	3.47%	128,860	135,826	July 2019
4.875% Senior Notes	4.88%	900,000	900,000	May 2026
4.625% Senior Notes	4.63%	900,000	900,000	May 2024
3.5% Senior Notes	3.50%	584,249	599,649	June 2024
European Revolving Loan Facility	1.50%	116,850	81,539	September 2018
Accounts Receivable Securitization Facility	2.81%	153,386	125,209	March 2019
Other International Debt	Various	22,103	1,044	Various
		4,522,198	3,993,267	
Less long-term debt issuance cost		38,262	41,624	
Less current maturities		334,735	249,589	
		<u>\$ 4,149,201</u>	<u>\$ 3,702,054</u>	

As of June 30, 2018, the Company had \$507,915 of borrowing availability under the \$1,000,000 Revolving Loan Facility after taking into account outstanding borrowings and \$4,085 of standby and trade letters of credit issued and outstanding under this facility. The Company's maximum borrowing capacity under the Accounts Receivable Securitization Facility was \$200,000 as of June 30, 2018, however based on the outstanding borrowings and net eligible receivables balance within the collateral pool, the Accounts Receivable Securitization Facility was fully utilized as of June 30, 2018. Borrowings under the Accounts

HANESBRANDS INC.
Notes to Condensed Consolidated Financial Statements — (Continued)
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Receivable Securitization Facility are permitted only to the extent that the face of the receivables in the collateral pool, net of applicable reserves and other deductions, exceeds the outstanding loans and also subject to a fluctuating facility limit, not to exceed \$225,000. The Company had \$47,710 of borrowing availability under the Australian Revolving Loan Facility, no borrowing availability under the European Revolving Loan Facility and \$120,726 of borrowing availability under other international lines of credit after taking into account outstanding borrowings and letters of credit outstanding under the applicable facility.

In March 2018, the Company amended the Accounts Receivable Securitization Facility that it entered into in November 2007 (the “Accounts Receivable Securitization Facility”). This amendment primarily extended the maturity date to March 2019. In June 2018, the Company amended the Accounts Receivable Securitization Facility to remove certain receivables from being pledged as collateral for the facility and reduce the maximum availability to \$225,000.

As of June 30, 2018, the Company was in compliance with all financial covenants under its credit facilities.

(8) Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss (“AOCI”) are as follows:

	Cumulative Translation Adjustment	Hedges	Defined Benefit Plans	Income Taxes	Accumulated Other Comprehensive Loss
Balance at December 30, 2017	\$ (43,505)	\$ (25,461)	\$ (614,000)	\$ 243,760	\$ (439,206)
Amounts reclassified from accumulated other comprehensive loss	—	7,219	8,015	(3,659)	11,575
Current-period other comprehensive income (loss) activity	(62,777)	25,274	—	(7,420)	(44,923)
Balance at June 30, 2018	\$ (106,282)	\$ 7,032	\$ (605,985)	\$ 232,681	\$ (472,554)

The Company had the following reclassifications out of AOCI:

Component of AOCI	Location of Reclassification into Income	Amount of Reclassification from AOCI		Amount of Reclassification from AOCI	
		Quarter Ended		Six Months Ended	
		June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Gain (loss) on foreign exchange contracts	Cost of sales	\$ (5,554)	\$ 2,636	\$ (7,219)	\$ 2,934
	Income tax	1,113	(1,012)	1,415	(1,125)
	Net of tax	(4,441)	1,624	(5,804)	1,809
Amortization of deferred actuarial loss and prior service cost	Other expenses	(4,948)	(4,768)	(8,015)	(9,578)
	Income tax	1,066	1,831	2,244	3,678
	Net of tax	(3,882)	(2,937)	(5,771)	(5,900)
Total reclassifications		\$ (8,323)	\$ (1,313)	\$ (11,575)	\$ (4,091)

(9) Financial Instruments and Risk Management

The Company uses forward foreign exchange contracts to manage its exposures to movements in foreign exchange rates. As of June 30, 2018, the notional U.S. dollar equivalent of the Company’s derivative portfolio was \$581,464, primarily consisting of contracts hedging exposures to the Euro, Australian dollar, Canadian dollar and Mexican peso.

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Notes to Condensed Consolidated Financial Statements — (Continued)
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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	
		June 30, 2018	December 30, 2017
Hedges	Other current assets	\$ 18,325	\$ 1,464
Non-hedges	Other current assets	4,122	136
Total derivative assets		22,447	1,600
Hedges	Accrued liabilities	(732)	(14,750)
Non-hedges	Accrued liabilities	(703)	(7,818)
Total derivative liabilities		(1,435)	(22,568)
Net derivative asset (liability)		\$ 21,012	\$ (20,968)

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 Company uses forward foreign exchange contracts to reduce the effect of fluctuating foreign currencies on short-term foreign currency-denominated transactions, foreign currency-denominated investments and other known foreign currency exposures. Gains and losses on these contracts are intended to offset losses and gains on the hedged transaction in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates.

The Company expects to reclassify into earnings during the next 12 months a net gain from AOCI of approximately \$7,987.

The ineffective portion of the changes in the fair value of derivatives used as cash flow hedges are reported in the “Cost of sales” line in the Condensed Consolidated Statements of Income.

The effect of cash flow hedge derivative instruments on the Condensed Consolidated Statements of Income and AOCI is as follows:

	Amount of Gain (Loss) Recognized in AOCI (Effective Portion)		Amount of Gain (Loss) Recognized in AOCI (Effective Portion)	
	Quarter Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Foreign exchange contracts	\$ 26,982	\$ (8,167)	\$ 25,274	\$ (26,281)

	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)		Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	
		Quarter Ended		Six Months Ended	
		June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Foreign exchange contracts	Cost of sales	\$ (5,554)	\$ 2,636	\$ (7,219)	\$ 2,934

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. The Company uses foreign exchange derivative contracts as economic hedges against the impact of foreign exchange fluctuations on existing accounts receivable and payable

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Notes to Condensed Consolidated Financial Statements — (Continued)
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balances and intercompany 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. These contracts are not designated as hedges under the accounting standards and are recorded at fair value in the Condensed Consolidated Balance Sheets. Any gains or losses resulting from changes in fair value are recognized directly into earnings. Gains or losses on these contracts largely offset the net remeasurement gains or losses on the related assets and liabilities.

The effect of derivative contracts not designated as hedges on the Condensed Consolidated Statements of Income is as follows:

	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income		Amount of Gain (Loss) Recognized in Income	
		Quarter Ended		Six Months Ended	
		June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Foreign exchange contracts	Cost of sales	\$ 10,011	\$ —	\$ 19,111	\$ —
Foreign exchange contracts	Selling, general and administrative expenses	472	(411)	775	(4,675)
Total		\$ 10,483	\$ (411)	\$ 19,886	\$ (4,675)

(10) Fair Value of Assets and Liabilities

As of June 30, 2018, 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 foreign exchange rates and deferred compensation plan liabilities. The fair values of foreign exchange rate derivatives are determined using the cash flows of the foreign exchange contract, discount rates to account for the passage of time and current foreign exchange market data which are all based on inputs readily available in public markets and are categorized as Level 2. The fair value of deferred compensation plans is based on readily available current market data and is categorized as Level 2. The Company's defined benefit pension plan investments are not required to be measured at fair value on a recurring basis.

There were no changes during the quarter ended June 30, 2018 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis. There were no transfers into or out of Level 1, Level 2 or Level 3 during the quarter ended June 30, 2018. As of and during the quarter and six months ended June 30, 2018, the Company did not have any non-financial assets or liabilities that were required to be measured at fair value on a recurring or non-recurring basis.

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

	Assets (Liabilities) at Fair Value as of June 30, 2018			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign exchange derivative contracts - assets	\$ 22,447	\$ —	\$ 22,447	\$ —
Foreign exchange derivative contracts - liabilities	(1,435)	—	(1,435)	—
	21,012	—	21,012	—
Deferred compensation plan liability	(49,329)	—	(49,329)	—
Total	\$ (28,317)	\$ —	\$ (28,317)	\$ —

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Notes to Condensed Consolidated Financial Statements — (Continued)
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	Assets (Liabilities) at Fair Value as of December 30, 2017			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign exchange derivative contracts - assets	\$ 1,600	\$ —	\$ 1,600	\$ —
Foreign exchange derivative contracts - liabilities	(22,568)	—	(22,568)	—
	(20,968)	—	(20,968)	—
Deferred compensation plan liability	(52,758)	—	(52,758)	—
Total	\$ (73,726)	\$ —	\$ (73,726)	\$ —

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 June 30, 2018 and December 30, 2017. The carrying amount of trade accounts receivable included allowance for doubtful accounts, chargebacks and other deductions of \$28,489 and \$26,096 as of June 30, 2018 and December 30, 2017, respectively. The fair value of debt, which is classified as a Level 2 liability, was \$4,495,967 and \$4,093,229 as of June 30, 2018 and December 30, 2017, respectively. Debt had a carrying value of \$4,522,198 and \$3,993,267 as of June 30, 2018 and December 30, 2017, respectively. The fair values were estimated using quoted market prices as provided in secondary markets, which consider the Company's credit risk and market related conditions. The carrying amounts of the Company's notes payable, which is classified as a Level 2 liability, approximated fair value as of June 30, 2018 and December 30, 2017, primarily due to the short-term nature of these instruments.

(11) Income Taxes

The Company's effective income tax rate for continuing operations was 14.8% and 6.0% for the quarters ended June 30, 2018 and July 1, 2017, respectively. The Company's effective income tax rate for continuing operations was 15.2% and 6.0% for the six months ended June 30, 2018 and July 1, 2017, respectively. The higher effective income tax rate for the quarter and six months ended June 30, 2018 compared to the quarter and six months ended July 1, 2017 was primarily due to certain provisions of the Tax Cuts and Jobs Act (the "Tax Act"), specifically the base-broadening provision which imposed a new minimum tax on global intangible low-tax income ("GILTI").

The recently enacted Tax Act significantly revised U.S. corporate income tax law by, among other things, reducing the federal income tax rate to 21% and implementing a modified territorial tax system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries. In response to the Tax Act, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118") which allows issuers to recognize provisional estimates of the impact of the Tax Act in their financial statements, or in circumstances where estimates cannot be made, to disclose and recognize at a later date. For the year ended December 30, 2017, the Company included in its financial statements provisional charges for the revaluation of the Company's net domestic deferred tax assets, the transition tax, as well as other less material provisions of the Tax Act.

As of June 30, 2018, the Company is in the process of evaluating the impact of the Tax Act on being partially reinvested with respect to prior year undistributed earnings. A provisional charge of \$4,659 was recognized in the quarter ended June 30, 2018 for actual and planned permanent repatriations; however, the Company is continuing to evaluate the overall impact of its partial permanent reinvestment assertion. Furthermore, a provisional benefit of \$4,022 was recognized related to the refinement of the Company's transition tax. There are no additional changes at this time to the provisional amounts recorded as of the year ended December 30, 2017. The accounting is expected to be completed and disclosed within the one-year measurement period as allowed by SAB 118.

During the first quarter ended March 31, 2018, the Company finalized its accounting policy decision with respect to the new GILTI tax rules, and has concluded that GILTI will be treated as a periodic charge in the year in which it arises, and will not record deferred taxes for the basis associated with GILTI earnings.

For the quarter ended March 31, 2018 and six months ended June 30, 2018, the Company recorded a liability for an unrecognized tax benefit of \$17,643, related to the acquisition of Bras N Things, as part of purchase accounting.

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements — (Continued)
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(12) Discontinued Operations

As part of the Company's acquisition of Hanes Australasia in 2016, the Company acquired Hanes Australasia's legacy Dunlop Flooring and Tontine Pillow businesses. The Company concluded that these businesses were not a strategic fit; therefore, the decision was made to divest the businesses.

In February 2017, the Company sold its Dunlop Flooring business for A\$34,564 (US\$26,219) in net cash proceeds at the time of sale, with an additional A\$1,334 (US\$1,012) of proceeds received in April 2017 related to a working capital adjustment, resulting in a pre-tax loss of A\$2,715 (US\$2,083). U.S. dollar equivalents are based on exchange rates on the date of the sale transaction. The Dunlop Flooring business was reported as part of discontinued operations since the date of acquisition.

In March 2017, the Company sold its Tontine Pillow business for A\$13,500 (US\$10,363) in net cash proceeds at the time of sale. A working capital adjustment of A\$966 (US\$742) was paid to the buyer in April 2017, resulting in a net pre-tax gain of A\$2,415 (US\$1,856). U.S. dollar equivalents are based on exchange rates on the date of the sale transaction. The Tontine Pillow business was reported as part of discontinued operations since the date of acquisition.

The operating results of these discontinued operations only reflect revenues and expenses that are directly attributable to these businesses that were eliminated from ongoing operations. The key components from discontinued operations related to the Dunlop Flooring and Tontine Pillow businesses were as follows:

	Quarter Ended	Six Months Ended
	July 1, 2017	July 1, 2017
Net sales	\$ —	\$ 6,865
Cost of sales	—	4,507
Gross profit	—	2,358
Selling, general and administrative expenses	(2)	3,729
Operating profit (loss)	2	(1,371)
Other expenses	—	303
Net (gain) loss on disposal of businesses	(524)	242
Income (loss) from discontinued operations before income tax expense	526	(1,916)
Income tax expense	158	181
Net income (loss) from discontinued operations, net of tax	<u>\$ 368</u>	<u>\$ (2,097)</u>

(13) Business Segment Information

The Company's operations are managed and reported in three operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Activewear and International. These segments are organized principally by product category and geographic location. Each segment has its own management that is responsible for the operations of the segment's businesses, but the segments share a common supply chain and media and marketing platforms. Other consists of the Company's U.S. value-based ("outlet") stores and U.S. hosiery business.

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

- Innerwear sells basic branded products that are replenishment in nature under the product categories of men's underwear, panties, children's underwear, socks and intimate apparel, which includes bras and shapewear.
- Activewear sells basic branded products that are primarily seasonal in nature under the product categories of branded printwear and retail activewear, as well as licensed logo apparel in collegiate bookstores, mass retail and other channels.
- International primarily relates to the Europe, Australia, Asia, Latin America and Canada geographic locations that sell products that span across the Innerwear and Activewear reportable segments.

The Company evaluates the operating performance of its segments based upon segment operating profit, which is defined as operating profit before general corporate expenses, acquisition, integration and other action-related charges and amortization

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Notes to Condensed Consolidated Financial Statements — (Continued)
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of intangibles. In the first quarter of 2018, the Company eliminated the allocation of certain corporate overhead selling, general and administrative expenses related to the legal, human resources, information technology, finance and real estate departments to the segments, in order to reflect the manner in which the business is managed and results are reviewed by the chief executive officer, who is the Company's chief operating decision maker. Prior year segment operating profit disclosures have been revised to conform to the current year presentation. The accounting policies of the segments are consistent with those described in Note 2 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 30, 2017.

	Quarter Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net sales:				
Innerwear	\$ 694,694	\$ 719,006	\$ 1,185,772	\$ 1,224,196
Activewear	405,785	379,756	751,910	707,099
International	545,862	475,242	1,115,749	952,640
Other	69,102	72,606	133,516	143,030
Total net sales	<u>\$ 1,715,443</u>	<u>\$ 1,646,610</u>	<u>\$ 3,186,947</u>	<u>\$ 3,026,965</u>

	Quarter Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Segment operating profit:				
Innerwear	\$ 159,129	\$ 177,628	\$ 260,548	\$ 294,250
Activewear	57,508	58,972	95,795	102,322
International	76,558	60,147	153,619	112,809
Other	7,160	7,716	9,787	10,344
Total segment operating profit	300,355	304,463	519,749	519,725
Items not included in segment operating profit:				
General corporate expenses	(46,002)	(38,565)	(90,533)	(81,846)
Acquisition, integration and other action-related charges	(25,165)	(26,062)	(44,782)	(64,429)
Amortization of intangibles	(9,125)	(6,131)	(18,313)	(13,316)
Total operating profit	220,063	233,705	366,121	360,134
Other expenses	(6,570)	(6,422)	(12,331)	(12,967)
Interest expense, net	(48,430)	(44,130)	(94,193)	(86,267)
Income from continuing operations before income tax expense	<u>\$ 165,063</u>	<u>\$ 183,153</u>	<u>\$ 259,597</u>	<u>\$ 260,900</u>

For the quarter ended June 30, 2018, the Company incurred \$25,165 of acquisition, integration and other action-related charges that impact operating profit, of which \$11,083 is reported in the "Cost of sales" line and \$14,082 is reported in the "Selling, general and administrative expenses" line in the Condensed Consolidated Statement of Income. For the quarter ended July 1, 2017, the Company incurred \$26,062 of acquisition-related and integration charges, of which \$4,284 is reported in the "Cost of sales" line and \$21,778 is reported in the "Selling, general and administrative expenses" line in the Condensed Consolidated Statement of Income.

For the six months ended June 30, 2018, the Company incurred acquisition, integration and other action-related charges that impact operating profit of \$44,782, of which \$21,836 is reported in the "Cost of sales" line and \$22,946 is reported in the "Selling, general and administrative expenses" line in the Condensed Consolidated Statement of Income. For the six months ended July 1, 2017, the Company incurred acquisition-related and integration charges of \$64,429, of which \$19,759 is reported in the "Cost of sales" line and \$44,670 is reported in the "Selling, general and administrative expenses" line in the Condensed Consolidated Statement of Income.

As part of the Hanes Europe Innerwear acquisition strategy, in 2015 the Company identified management and administrative positions that were considered non-essential and/or duplicative that have or will be eliminated. As of December 30, 2017, the Company had accrued \$22,302 for expected benefit payments related to employee termination and

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other benefits for affected employees. During the six months ended June 30, 2018, there were \$4,577 of benefit payments and foreign currency adjustments, resulting in an ending accrual of \$17,725, of which \$9,535 and \$8,190 is included in the “Accrued liabilities” and “Other noncurrent liabilities” lines of the Condensed Consolidated Balance Sheet, respectively.

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

This management's discussion and analysis of financial condition and results of operations, or MD&A, contains forward-looking statements that involve risks and uncertainties. Please see "Forward-Looking Statements" in this Quarterly Report on Form 10-Q for a discussion of the uncertainties, risks and assumptions associated with these statements. This discussion should be read in conjunction with our historical financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q. The unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with our audited consolidated financial statements and notes for the year ended December 30, 2017, which were included in our Annual Report on Form 10-K filed with the SEC. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those included elsewhere in this Quarterly Report on Form 10-Q and those included in the "Risk Factors" section and elsewhere in our Annual Report on Form 10-K for the year ended December 30, 2017.

Overview

We are a consumer goods company with a portfolio of leading apparel brands, including *Hanes*, *Champion*, *Bonds*, *Maidenform*, *DIM*, *Bali*, *Playtex*, *JMS/Just My Size*, *Nur Die/Nur Der*, *L'eggs*, *Lovable*, *Wonderbra*, *Berlei*, *Gear for Sports*, *Bras N Things* and *Alternative*. We design, manufacture, source and sell a broad range of basic apparel such as T-shirts, bras, panties, men's underwear, children's underwear, activewear, socks and hosiery.

Our operations are managed and reported in three operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Activewear and International. These segments are organized principally by product category and geographic location. Each segment has its own management that is responsible for the operations of the segment's businesses, but the segments share a common supply chain and media and marketing platforms. In the first quarter of 2018, we eliminated the allocation of certain corporate overhead selling, general and administrative expenses related to the legal, human resources, information technology, finance and real estate departments to the segments, in order to reflect the manner in which the business is managed and results are reviewed by the chief executive officer, who is our chief operating decision maker. Prior year segment operating profit disclosures have been revised to conform to the current year presentation.

Highlights from the Second Quarter Ended June 30, 2018

Key financial highlights are as follows:

- Total net sales in the second quarter of 2018 were \$1.72 billion, compared with \$1.65 billion in the same period of 2017, representing a 4% increase.
- Operating profit decreased 6% to \$220 million in the second quarter of 2018, compared with \$234 million in the same period of 2017. As a percentage of sales, operating profit was 12.8% in the second quarter of 2018 compared to 14.2% in the same period of 2017. Included within operating profit for both the second quarter of 2018 and 2017 were acquisition, integration and other action-related charges of \$25 million and \$26 million, respectively.
- Diluted earnings per share from continuing operations decreased 17% to \$0.39 in the second quarter of 2018, compared with \$0.47 in the same period of 2017.

Outlook

We expect 2018 net sales of \$6.72 billion to \$6.82 billion.

Interest and other expenses are expected to be approximately \$207 million, combined.

We expect the 2018 full-year tax rate to be approximately 16%.

We expect cash flow from operations to be in the range of \$675 million to \$750 million. We expect capital expenditures of approximately \$90 million to \$100 million.

Seasonality and Other Factors

Our operating results are subject to some variability due to seasonality and other factors. Generally, our diverse range of product offerings helps mitigate the impact of seasonal changes in demand for certain items. We generally have higher sales during the back-to-school and holiday shopping seasons and during periods of cooler weather, which benefits certain product categories such as fleece. Sales levels in any period are also impacted by customers' decisions to increase or decrease their inventory levels in response to anticipated consumer demand. Our customers may cancel or change delivery schedules, manage

on-hand inventory levels, or change the mix of products ordered with minimal notice to us. Media, advertising and promotion expenses may vary from period to period during a fiscal year depending on the timing of our advertising campaigns for retail selling seasons and product introductions.

Although the majority of our products are replenishment in nature and tend to be purchased by consumers on a planned, rather than on an impulse, basis, our sales are impacted by discretionary spending by consumers. Discretionary spending is affected by many factors, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, taxation, gasoline prices, weather, unemployment trends and other matters that influence consumer confidence and spending. Many of these factors are outside of our control. Consumers' purchases of discretionary items, including our products, could decline during periods when disposable income is lower, when prices increase in response to rising costs, or in periods of actual or perceived unfavorable economic conditions. These consumers may choose to purchase fewer of our products, to purchase lower-priced products of our competitors in response to higher prices for our products, or may choose not to purchase our products at prices that reflect our price increases that become effective from time to time.

Changes in product sales mix can impact our gross profit as the percentage of our sales attributable to higher margin products, such as intimate apparel and men's underwear, and lower margin products, such as activewear, fluctuate from time to time. In addition, sales attributable to higher and lower margin products within the same product category fluctuate from time to time. Our customers may change the mix of products ordered with minimal notice to us, which makes trends in product sales mix difficult to predict. However, certain changes in product sales mix are seasonal in nature, as sales of socks, hosiery and fleece products generally have higher sales during the last two quarters (July to December) of each fiscal year as a result of cooler weather, back-to-school shopping and holidays, while other changes in product mix may be attributable to customers' preferences and discretionary spending.

Condensed Consolidated Results of Operations — Second Quarter Ended June 30, 2018 Compared with Second Quarter Ended July 1, 2017

	Quarter Ended		Higher (Lower)	Percent Change
	June 30, 2018	July 1, 2017		
	(dollars in thousands)			
Net sales	\$ 1,715,443	\$ 1,646,610	\$ 68,833	4.2 %
Cost of sales	1,055,487	1,000,708	54,779	5.5
Gross profit	659,956	645,902	14,054	2.2
Selling, general and administrative expenses	439,893	412,197	27,696	6.7
Operating profit	220,063	233,705	(13,642)	(5.8)
Other expenses	6,570	6,422	148	2.3
Interest expense, net	48,430	44,130	4,300	9.7
Income from continuing operations before income tax expense	165,063	183,153	(18,090)	(9.9)
Income tax expense	24,430	10,989	13,441	122.3
Income from continuing operations	140,633	172,164	(31,531)	(18.3)
Income from discontinued operations, net of tax	—	368	(368)	NM
Net income	\$ 140,633	\$ 172,532	\$ (31,899)	(18.5)%

Net Sales

Net sales increased 4% during the second quarter of 2018 primarily due to the following:

- Acquisition of Bras N Things in 2018 and Alternative Apparel in 2017, which added incremental net sales of \$52 million in the second quarter of 2018;
- Organic sales on a constant currency basis, defined as sales excluding the impact of foreign currency and businesses acquired within 12 months, increased slightly in the quarter driven by performance of our key growth initiatives. Strong growth in our global *Champion* brand and online sales was offset in part by declines in our intimate apparel and *Hanes* activewear businesses; and
- Favorable impact from foreign exchange rates in our International businesses of approximately \$16 million.

Gross Profit

Gross profit as a percentage of sales was 38.5%, a decrease from prior year of approximately 70 basis points. Gross margin decreased as expansion in our international gross margin and continued realization of acquisition synergies were more

than offset by higher input costs, product mix within our Innerwear segment and higher acquisition-related and integration charges. Included in gross profit in the second quarters of 2018 and 2017 are charges of \$11 million and \$4 million, respectively, related to acquisition, integration and other action-related costs.

Selling, General and Administrative Expenses

As a percentage of net sales, our selling, general and administrative expenses were 25.6% for the second quarter of 2018 compared to 25.0% in the same period of 2017. Included in selling, general and administrative expenses were charges of \$14 million and \$22 million of acquisition, integration and other action-related costs for the second quarters of 2018 and 2017, respectively. Selling, general and administrative expenses, as a percentage of net sales, increased slightly due to planned investments to support our brands and growth strategies, higher distribution expenses from short term labor inefficiencies and higher proportion of selling, general and administrative costs at our recently acquired businesses, partially offset by continued realization of acquisition synergies and lower acquisition, integration and other action-related costs for the second quarter of 2018 compared to the second quarter of 2017.

Other Highlights

Interest Expense – higher by \$4 million in the second quarter of 2018 compared to the second quarter of 2017 driven by higher debt balances and higher weighted average interest rate. Our weighted average interest rate on our outstanding debt was 3.87% during the second quarter of 2018, compared to 3.76% in the second quarter of 2017.

Income Tax Expense – our effective income tax rate was 14.8% and 6.0% for the second quarters of 2018 and 2017, respectively. The higher tax rate in 2018 compared to the same period of 2017 is primarily due to certain provisions of the Tax Act, specifically the base-broadening provision which imposed a new minimum tax on global intangible low-tax income (“GILTI”).

Operating Results by Business Segment — Second Quarter Ended June 30, 2018 Compared with Second Quarter Ended July 1, 2017

	Net Sales		Operating Profit	
	Quarter Ended		Quarter Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
	(dollars in thousands)			
Innerwear	\$ 694,694	\$ 719,006	\$ 159,129	\$ 177,628
Activewear	405,785	379,756	57,508	58,972
International	545,862	475,242	76,558	60,147
Other	69,102	72,606	7,160	7,716
Corporate	—	—	(80,292)	(70,758)
Total	\$ 1,715,443	\$ 1,646,610	\$ 220,063	\$ 233,705

Innerwear

	Quarter Ended		Higher (Lower)	Percent Change
	June 30, 2018	July 1, 2017		
	(dollars in thousands)			
Net sales	\$ 694,694	\$ 719,006	\$ (24,312)	(3.4)%
Segment operating profit	159,129	177,628	(18,499)	(10.4)
Segment operating margin	22.9%	24.7%		

Innerwear net sales decreased as strength in our basics business was more than offset by declines in our intimate apparel business. Net sales in our basic apparel increased approximately 50 basis points compared to the same period a year ago driven by improving point-of-sale trends and strength in men’s underwear and women’s panties, which more than offset the expected short-term pressure from door closures. In addition, we are seeing a strong reception to our latest innovation, Comfort Flex Fit. Net sales across our intimate apparel business decreased, primarily driven by declines in the off-price retail and mass merchant channels.

Innerwear operating margin was 22.9%, representing a decline from the same period a year ago due to the impact from higher raw material costs and product mix, which was partially offset by lower selling, general and administrative expenses as a result of our prior year’s corporate headcount reduction efforts.

Activewear

	Quarter Ended		Higher (Lower)	Percent Change
	June 30, 2018	July 1, 2017		
	(dollars in thousands)			
Net sales	\$ 405,785	\$ 379,756	\$ 26,029	6.9 %
Segment operating profit	57,508	58,972	(1,464)	(2.5)
Segment operating margin	14.2%	15.5%		

Activewear net sales increased as a result of our acquisition of Alternative Apparel in 2017, which contributed incremental net sales of \$20 million, as well as approximately 1.5% increase in net sales among our *Champion* and licensed sports apparel businesses. Core *Champion* sales, which we define as *Champion* sales outside of the mass retail channel, were up nearly 73% in the quarter driven by strong consumer demand, space gains in the sports specialty channels and growth in the online channel. Growth in core *Champion* sales and licensed sports apparel in the mass channel more than offset the decline in the *Champion* mass business, which we believe is mature, and the decline in our *Hanes* activewear business, within the mass retail channel, due to space reductions.

Activewear operating margin was 14.2%, representing a decline from prior year as favorable product mix and cost savings associated with prior year's corporate headcount reduction efforts were offset by higher raw material costs, start-up manufacturing inefficiencies and higher distribution costs.

International

	Quarter Ended		Higher (Lower)	Percent Change
	June 30, 2018	July 1, 2017		
	(dollars in thousands)			
Net sales	\$ 545,862	\$ 475,242	\$ 70,620	14.9%
Segment operating profit	76,558	60,147	16,411	27.3
Segment operating margin	14.0%	12.7%		

Net sales in the International segment were higher as a result of the following:

- Our acquisition of Bras N Things in the first quarter of 2018, which contributed incremental net sales of nearly \$32 million;
- Increased net sales driven by our global *Champion* sales growth, primarily in the Europe and Asia markets; and
- Favorable impact of foreign currency exchange rates of approximately \$16 million.

International operating margin was 14.0%, an increase from prior year primarily due to scale efficiencies and continued realization of acquisition synergies coupled with high margin contributions from the recently acquired Bras N Things business.

Other

	Quarter Ended		Higher (Lower)	Percent Change
	June 30, 2018	July 1, 2017		
	(dollars in thousands)			
Net sales	\$ 69,102	\$ 72,606	\$ (3,504)	(4.8)%
Segment operating profit	7,160	7,716	(556)	(7.2)
Segment operating margin	10.4%	10.6%		

Other net sales were lower as a result of slower traffic at our outlet stores. Operating margin decreased slightly due to decrease in sales volume offset partially by continued cost savings efforts.

Corporate

Corporate expenses included certain administrative costs and acquisition, integration and other action-related charges. Acquisition, integration and other action-related costs are expenses related directly to an acquisition and its integration into the organization. These costs include legal fees, consulting fees, bank fees, severance costs, certain purchase accounting items, facility closures, inventory write-offs, information technology costs and similar charges. Smaller acquisitions and other action-

related costs include acquisition and integration charges for our smaller acquisitions such as Alternative Apparel, as well as other action-related costs related to supply chain network changes.

	Quarter Ended	
	June 30, 2018	July 1, 2017
	(dollars in thousands)	
Acquisition, integration and other action-related costs:		
Hanes Europe Innerwear	\$ 8,455	\$ 10,514
Hanes Australasia	6,647	5,970
Bras N Things	2,031	—
Champion Europe	1,078	4,399
Smaller acquisitions and other action-related costs	6,954	5,179
Total acquisition, integration and other action-related costs	<u>\$ 25,165</u>	<u>\$ 26,062</u>

Condensed Consolidated Results of Operations — Six Months Ended June 30, 2018 Compared with Six Months Ended July 1, 2017

	Six Months Ended		Higher (Lower)	Percent Change
	June 30, 2018	July 1, 2017		
	(dollars in thousands)			
Net sales	\$ 3,186,947	\$ 3,026,965	\$ 159,982	5.3 %
Cost of sales	1,948,070	1,841,532	106,538	5.8
Gross profit	1,238,877	1,185,433	53,444	4.5
Selling, general and administrative expenses	872,756	825,299	47,457	5.8
Operating profit	366,121	360,134	5,987	1.7
Other expenses	12,331	12,967	(636)	(4.9)
Interest expense, net	94,193	86,267	7,926	9.2
Income from continuing operations before income tax expense	259,597	260,900	(1,303)	(0.5)
Income tax expense	39,555	15,654	23,901	152.7
Income from continuing operations	220,042	245,246	(25,204)	(10.3)
Loss from discontinued operations, net of tax	—	(2,097)	2,097	NM
Net income	<u>\$ 220,042</u>	<u>\$ 243,149</u>	<u>\$ (23,107)</u>	<u>(9.5)%</u>

Net Sales

Net sales increased 5% in the six months of 2018 compared to the same period of 2017 as a result of the following:

- Acquisitions of Bras N Things in 2018 and Alternative Apparel in 2017, which added incremental net sales of \$84 million in the six months of 2018;
- Organic sales on a constant currency basis, defined as sales excluding the impact of foreign currency and businesses acquired within 12 months, increased approximately 50 basis points in the six months of 2018 driven by strong growth in our global *Champion* and online sales, offset in part by declines in our intimate apparel and *Hanes* activewear businesses; and
- Favorable impact from foreign exchange rates in our International businesses of approximately \$60 million.

Gross Profit

Gross profit as a percentage of sales for the six months of 2018 was 38.9%, a decrease from the same period of the prior year of approximately 30 basis points. The gross margin decreased as expansion in our international gross margin and continued realization of acquisition synergies were more than offset by higher input costs and higher acquisition, integration and other action-related charges. Included in gross profit in the six months of 2018 and 2017 are charges of \$22 million and \$20 million, respectively, related to acquisition, integration and other action-related costs.

Selling, General and Administrative Expenses

As a percentage of net sales, our selling, general and administrative expenses were 27.4% for the six months of 2018 compared to 27.3% in the same period of 2017. Included in selling, general and administrative expenses were charges of \$23

million and \$45 million of acquisition, integration and other action-related costs for the six months of 2018 and 2017, respectively. Selling, general and administrative expenses, as a percentage of net sales, increased slightly due to higher distribution expenses from short term labor inefficiencies and higher proportion of selling, general and administrative costs at our recently acquired businesses, offset partially by continued realization of acquisition synergies, lower acquisition, integration and other action-related costs for the six months of 2018 compared to 2017 and cost savings realized from the corporate headcount reduction efforts in 2017.

Other Highlights

Interest Expense – higher by \$8 million for the six months of 2018 compared to 2017 primarily due to higher debt balances and higher weighted average interest rate. Our weighted average interest rate on our outstanding debt was 3.81% for the six months of 2018 and 3.75% for the six months of 2017.

Income Tax Expense – our effective income tax rate was 15.2% and 6.0% for the six months of 2018 and 2017, respectively. The higher effective income tax rate for the six months of 2018 compared to 2017 was primarily due to certain provisions of the Tax Act, specifically the base-broadening provision which imposed a new minimum tax on GILTI.

Discontinued Operations – the results of our discontinued operations include the operations of two businesses, Dunlop Flooring and Tontine Pillow, which were purchased in the Hanes Australasia acquisition in 2016 and sold during the first quarter of 2017.

Operating Results by Business Segment — Six Months Ended June 30, 2018 Compared with Six Months Ended July 1, 2017

	Net Sales		Operating Profit	
	Six Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
	(dollars in thousands)			
Innerwear	\$ 1,185,772	\$ 1,224,196	\$ 260,548	\$ 294,250
Activewear	751,910	707,099	95,795	102,322
International	1,115,749	952,640	153,619	112,809
Other	\$ 133,516	143,030	9,787	10,344
Corporate	—	—	(153,628)	(159,591)
Total	\$ 3,186,947	\$ 3,026,965	\$ 366,121	\$ 360,134

Innerwear

	Six Months Ended		Higher (Lower)	Percent Change
	June 30, 2018	July 1, 2017		
	(dollars in thousands)			
Net sales	\$ 1,185,772	\$ 1,224,196	\$ (38,424)	(3.1)%
Segment operating profit	260,548	294,250	(33,702)	(11.5)
Segment operating margin	22.0%	24.0%		

Innerwear net sales decreased due to softness in our intimate apparel business. Net sales in our basic apparel business remained flat to slightly up compared to the same period a year ago driven by strength in our men's underwear and women's panties businesses. Net sales across our intimate apparel businesses declined primarily driven by decreased sales within the off-price retail and mass merchant channels and continued impact from mid-tier and department store door closures.

Innerwear operating margin was 22.0%, representing a reduction from the same period a year ago due to the impact from higher raw material costs and product mix, which was partially offset by lower selling, general and administrative expenses as a result of our prior year's corporate headcount reduction efforts.

Activewear

	Six Months Ended		Higher (Lower)	Percent Change
	June 30, 2018	July 1, 2017		
	(dollars in thousands)			
Net sales	\$ 751,910	\$ 707,099	\$ 44,811	6.3 %
Segment operating profit	95,795	102,322	(6,527)	(6.4)
Segment operating margin	12.7%	14.5%		

Activewear net sales increased as a result of our acquisition of Alternative Apparel in 2017, which contributed incremental net sales in 2018 of \$36 million, as well as approximately 1% increase in net sales among our other activewear businesses. Core *Champion* sales, which we define as *Champion* sales outside of the mass retail channel, were up in excess of 60% in the six months driven by strong consumer demand, space gains in the sports specialty channels and growth in the online channel. Growth in core *Champion* sales more than offset declines in the *Champion* at mass business, which we believe is mature, and the decline in our *Hanes* activewear business, within the mass retail channel, due to space reductions.

Activewear operating margin was 12.7%, representing a decline from prior year as favorable product mix and cost savings associated with prior year's corporate headcount reduction efforts were more than offset by higher raw material costs, higher distribution costs driven by labor inefficiencies and higher proportion of selling, general and administrative expenses from our recently acquired businesses.

International

	Six Months Ended		Higher (Lower)	Percent Change
	June 30, 2018	July 1, 2017		
	(dollars in thousands)			
Net sales	\$ 1,115,749	\$ 952,640	\$ 163,109	17.1%
Segment operating profit	153,619	112,809	40,810	36.2
Segment operating margin	13.8%	11.8%		

Net sales in the International segment were higher as a result of the following:

- Our acquisition of Bras N Things in the first quarter of 2018, which contributed incremental net sales of \$48 million;
- Increased net sales driven by our global *Champion* sales growth, primarily in the Europe and Asia markets; and
- Favorable impact of foreign currency exchange rates of approximately \$60 million.

International operating margin was 13.8%, an increase from prior year primarily due to scale efficiencies, favorable mix and the continued realization of acquisition synergies coupled with high margin contributions from the recently acquired Bras N Things business.

Other

	Six Months Ended		Higher (Lower)	Percent Change
	June 30, 2018	July 1, 2017		
	(dollars in thousands)			
Net sales	\$ 133,516	\$ 143,030	\$ (9,514)	(6.7)%
Segment operating profit	9,787	10,344	(557)	(5.4)
Segment operating margin	7.3%	7.2%		

Other net sales were lower as a result of continued declines in hosiery sales in the U.S. and slower traffic at our outlet stores. Operating margin increased slightly as a result of our continued cost control more than offsetting the lower sales volume.

Corporate

Corporate expenses included certain administrative costs and acquisition, integration and other action-related charges. Acquisition, integration and other action-related costs are expenses related directly to an acquisition and its integration into the organization. These costs include legal fees, consulting fees, bank fees, severance costs, certain purchase accounting items,

facility closures, inventory write-offs, information technology costs, and similar charges. Smaller acquisitions and other action-related costs include acquisition and integration charges for our smaller acquisitions such as Alternative Apparel, as well as other action-related costs related to supply chain network changes.

	Six Months Ended	
	June 30, 2018	July 1, 2017
	(dollars in thousands)	
Acquisition, integration and other action-related costs:		
Hanes Europe Innerwear	\$ 17,031	\$ 30,392
Hanes Australasia	12,739	17,978
Bras N Things	3,276	—
Champion Europe	2,958	5,567
Smaller acquisitions and other action-related costs	8,778	10,492
Total acquisition, integration and other action-related costs	<u>\$ 44,782</u>	<u>\$ 64,429</u>

Liquidity and Capital Resources

Trends and Uncertainties Affecting Liquidity

Our primary sources of liquidity are cash generated by operations and availability under our revolving credit facility (the “Revolving Loan Facility”), our senior secured credit facility (the “Senior Secured Credit Facility”), our accounts receivable securitization facility (the “Accounts Receivable Securitization Facility”) and our international loan facilities.

We had the following borrowing capacity and availability under our credit facilities as of June 30, 2018:

	As of June 30, 2018	
	Borrowing Capacity	Borrowing Availability
	(dollars in thousands)	
Senior Secured Credit Facility:		
Revolving Loan Facility	\$ 1,000,000	\$ 507,915
Australian Revolving Loan Facility	47,710	47,710
European Revolving Loan Facility	116,850	—
Accounts Receivable Securitization Facility ¹	200,000	—
Other international credit facilities	179,443	120,726
Total liquidity from credit facilities	<u>\$ 1,544,003</u>	<u>\$ 676,351</u>

¹Borrowing availability under the Accounts Receivable Securitization Facility is subject to a quarterly fluctuating facility limit, not to exceed \$225 million, and permitted only to the extent that the face of the receivables in the collateral pool, net of applicable reserves and other deductions, exceeds the outstanding loans.

At June 30, 2018, we had \$398 million in cash and cash equivalents. We currently believe that our existing cash balances and cash generated by operations, typically in the second half of the year, together with our available credit capacity, will enable us to comply with the terms of our indebtedness and meet foreseeable liquidity requirements.

The following have impacted or may impact our liquidity:

- we have principal and interest obligations under our debt;
- we acquired Bras N Things in February 2018 and Alternative Apparel in October 2017 and we may pursue additional strategic business acquisitions in the future;
- we expect to continue to invest in efforts to accelerate worldwide omnichannel and global growth initiatives, as well as marketing and brand building;
- contributions to our pension plans;
- our Board of Directors has authorized a regular quarterly dividend; and
- our Board of Directors has authorized share repurchases.

Dividends

In January and April 2018, our Board of Directors declared a regular quarterly dividend of \$0.15 per share, which were paid in March and June 2018. On July 24, 2018, our Board of Directors declared a regular quarterly cash dividend of \$0.15 per share on outstanding shares of common stock to be paid on September 5, 2018 to stockholders of record at the close of business on August 14, 2018.

Share Repurchase Program

In April 2016, our Board of Directors approved the current share repurchase program for up to 40 million shares to be repurchased in open market transactions, subject to market conditions, legal requirements and other factors. We did not repurchase any shares during the six months ended June 30, 2018. For the six months ended July 1, 2017 we repurchased approximately 15 million shares at a weighted average purchase price of \$20.39. The shares were repurchased at a total cost of \$300 million. At June 30, 2018, the remaining repurchase authorization totaled approximately 20 million shares. The program does not obligate us to acquire any particular amount of common stock and may be suspended or discontinued at any time at our discretion.

Cash Requirements for Our Business

We rely on our cash flows generated from operations and the borrowing capacity under our credit facilities to meet the cash requirements of our business. The primary cash requirements of our business are payments to vendors in the normal course of business, capital expenditures, maturities of debt and related interest payments, business acquisitions, contributions to our pension plans, repurchases of our stock and regular quarterly dividend payments. We believe we have sufficient cash and available borrowings for our foreseeable liquidity needs.

There have been no significant changes in the cash requirements for our business from those described in our Annual Report on Form 10-K for the year ended December 30, 2017.

Sources and Uses of Our Cash

The information presented below regarding the sources and uses of our cash flows for the six months ended June 30, 2018 and July 1, 2017 was derived from our condensed consolidated financial statements.

	Six Months Ended	
	June 30, 2018	July 1, 2017
	(dollars in thousands)	
Operating activities	\$ (64,398)	\$ 34,250
Investing activities	(373,716)	13,301
Financing activities	417,883	(55,211)
Effect of changes in foreign currency exchange rates on cash	20,176	(3,170)
Change in cash, cash equivalents and restricted cash	(55)	(10,830)
Cash and cash equivalents at beginning of year	421,566	460,245
Cash, cash equivalents and restricted cash at end of period	421,511	449,415
Less restricted cash at end of period	23,540	—
Cash and cash equivalents per balance sheet at end of period	\$ 397,971	\$ 449,415

Operating Activities

Our overall liquidity is primarily driven by our cash flow from operations, which is dependent on net income, as well as changes in our working capital. We typically use cash during the first half of the year and generate most of our cash flow in the second half of the year. As compared to prior year, the higher net cash used by operating activities is due to the final Champion Europe contingent consideration payment in the first quarter of 2018, the \$15 million pension contribution in the second quarter of 2018 and increased inventory levels to support our second half sales projections, offset partially by improved payable terms.

Investing Activities

The increased net cash used by investing activities is primarily the result of the acquisition of Bras N Things in the first quarter of 2018 and an increased capital investment into our business to support our global growth. Cash received from investing activities in 2017 was driven by the dispositions of the Dunlop Flooring and Tontine Pillow businesses which were acquired in conjunction with the Hanes Australasia acquisition.

Financing Activities

The increased net cash from financing activities was primarily the result of less cash outflows for share repurchases and higher borrowings on our loan facilities in 2018 as compared to the same period of 2017.

Financing Arrangements

In March 2018, we amended the Accounts Receivable Securitization Facility. This amendment primarily extended the maturity date to March 2019. In June 2018, the Company amended the Accounts Receivable Securitization Facility to remove certain receivables from being pledged as collateral for the facility.

As of June 30, 2018, we were in compliance with all financial covenants under our credit facilities. We expect to maintain compliance with these covenants for the foreseeable future, however economic conditions or the occurrence of events discussed under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 30, 2017 or other SEC filings could cause noncompliance.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

We have chosen accounting policies that we believe are appropriate to accurately and fairly report our operating results and financial condition in conformity with U.S. GAAP. We apply these accounting policies in a consistent manner. Our significant accounting policies are discussed in Note 2, “Summary of Significant Accounting Policies,” to our financial statements included in our Annual Report on Form 10-K for the year ended December 30, 2017.

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 financial statements, or are the most sensitive to change from outside factors, are discussed in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 30, 2017. There have been no material changes in these policies from those described in our Annual Report on Form 10-K for the year ended December 30, 2017.

Recently Issued Accounting Pronouncements

For a summary of recently issued accounting pronouncements, see Note, “Recent Accounting Pronouncements” to our financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no significant changes in our market risk exposures from those described in Item 7A of our Annual Report on Form 10-K for the year ended December 30, 2017.

Item 4. Controls and Procedures

As required by Exchange Act Rule 13a-15(b), our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

In connection with the evaluation required by Exchange Act Rule 13a-15(d), our management, including our Chief Executive Officer and Chief Financial Officer, concluded that no changes in our internal control over financial reporting occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. *Legal Proceedings*

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

Item 1A. *Risk Factors*

The risk factors that affect our business and financial results are discussed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended December 30, 2017. There are no material changes to the risk factors previously disclosed, nor have we identified any previously undisclosed risks that could materially adversely affect our business and financial results.

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

None.

Item 3. *Defaults Upon Senior Securities*

None.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

None.

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
2.1	Share Purchase Agreement, dated February 2, 2018, between HBI Australia Acquisition Co Pty Limited, Hanesbrands Inc., Brett Blundy, Ray Itaoui and the individual sellers listed therein (incorporated by reference from Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 8, 2018).
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	Articles of Amendment to 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 January 28, 2015).
3.4	Articles Supplementary (Reclassifying Junior Participating Preferred Stock, Series A) (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 November 2, 2015).
3.5	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 January 26, 2017).
10.1	Form of Severance/Change in Control Agreement entered into by and between Hanesbrands Inc. and certain of its executive officers after December 2010 and schedule of all such agreements with current executive officers.*
31.1	Certification of Gerald W. Evans, Jr., Chief Executive Officer.
31.2	Certification of Barry A. Hytinen, Chief Financial Officer.
32.1	Section 1350 Certification of Gerald W. Evans, Jr., Chief Executive Officer.
32.2	Section 1350 Certification of Barry A. Hytinen, Chief Financial Officer.
101.INS XBRL	Instance Document
101.SCH XBRL	Taxonomy Extension Schema Document
101.CAL XBRL	Taxonomy Extension Calculation Linkbase Document
101.LAB XBRL	Taxonomy Extension Label Linkbase Document
101.PRE XBRL	Taxonomy Extension Presentation Linkbase Document
101.DEF XBRL	Taxonomy Extension Definition Linkbase Document

* Management contract or compensatory plans or arrangements.

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/ Barry A. Hytinen

Barry A. Hytinen

Chief Financial Officer

(Duly authorized officer and principal financial officer)

Date: August 1, 2018

SEVERANCE/CHANGE IN CONTROL AGREEMENT

THIS SEVERANCE/CHANGE IN CONTROL AGREEMENT (the “*Agreement*”), is made and entered into this _____ day of _____, by and between **Hanesbrands Inc.**, a Maryland corporation (the “*Company*”), and _____ (“*Executive*”).

WHEREAS, *Executive* is an employee of *Company*, *Company* desires to foster the continuous employment of *Executive* and has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of *Executive* to his duties free from distractions which could arise in anticipation of an involuntary termination of employment or a *Change in Control of Company*;

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, *Company* and *Executive* agree as follows:

1. **Term and Nature of Agreement.** This *Agreement* shall commence on the date it is fully executed (“*Execution Date*”) by all parties and shall continue in effect unless the *Company* gives at least eighteen (18) months prior written notice that this *Agreement* will not be renewed. In the event of such notice, this *Agreement* will expire on the next anniversary of the *Execution Date* that is at least eighteen (18) months after the date of such notice. Notwithstanding the foregoing, if a *Change in Control* occurs during any term of this *Agreement*, the term of this *Agreement* shall be extended automatically for a period of twenty-four (24) months after the end of the month in which the *Change in Control* occurs. Except to the extent otherwise provided, the parties intend for this *Agreement* to be construed and enforced as an unfunded welfare benefit plan under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), including without limitation the jurisdictional provisions of ERISA.

2. **Involuntary Termination Benefits.** *Executive* shall be eligible for severance benefits upon an involuntary termination of employment under the terms and conditions specified in this section 2.

(a) **Eligibility for Severance.**

(i) **Eligible Terminations.** Subject to subparagraph (a)(ii) below, *Executive* shall be eligible for severance payments and benefits under this section 2 if his employment terminates under one of the following circumstances:

(A) *Executive*’s employment is terminated involuntarily without *Cause* (defined in subparagraph 2(a)(ii) (A)); or

(B) *Executive* terminates his or her employment at the request of *Company*.

(ii) **Ineligible Terminations.** Notwithstanding subparagraph (a)(i) next above, *Executive* shall not be eligible for any severance payments or benefits under

this section 2 if his employment terminates under any of the following circumstances:

- (A) A termination for *Cause*. For purposes of this *Agreement*, “*Cause*” means *Executive* has been convicted of (or pled guilty or no contest to) a felony or any crime involving fraud, embezzlement, theft, misrepresentation of financial impropriety; has willfully engaged in misconduct resulting in material harm to *Company*; has willfully failed to substantially perform duties after written notice; or is in willful violation of *Company* policies resulting in material harm to *Company*;
 - (B) A termination as the result of *Disability*. For purposes of this *Agreement* “*Disability*” shall mean a determination under *Company*’s disability plan covering *Executive* that *Executive* is disabled;
 - (C) A termination due to death;
 - (D) A termination due to *Retirement*. For purposes of this *Agreement* “*Retirement*” shall mean *Executive*’s voluntary termination of employment on or after *Executive*’s attainment of the normal retirement age as defined in the Hanesbrands Inc. Pension and Retirement Plan (the “*Retirement Plan*”);
 - (E) A voluntary termination of employment other than at the request of *Company*;
 - (F) A termination following which *Executive* is immediately offered and accepts new employment with *Company*, or becomes a non-executive member of the Board;
 - (G) The transfer of *Executive*’s employment to a subsidiary or affiliate of *Company* with his consent;
 - (H) A termination of employment that qualifies *Executive* to receive severance payments or benefits under section 3 below following a *Change in Control*; or
 - (I) Any other termination of employment under circumstances not described in subparagraph 2(a)(i).
- (iii) **Characterization of Termination.** The characterization of *Executive*’s termination shall be made by the *Committee* (as defined in section 5 below) which determination shall be final and binding.
- (iv) **Termination Date.** For purposes of this section 2, *Executive*’s “*Termination Date*” shall mean the date specified in the separation and release agreement described under section 2(e) below.

- (b) **Severance Benefits Payable.** If *Executive* is terminated under circumstances described in subparagraph 2(a)(i), and not described in subparagraph 2(a)(ii), then in lieu of any benefits payable under any other severance plan of the *Company* of any type and in consideration of the separation and release agreement and the covenants contained herein, the following shall apply:
- (i) *Executive* shall be entitled to receive his *Base Salary* (the “*Salary Portion of Severance*”) during the “*Severance Period*,” payable as provided in section 2(c). The “*Severance Period*” shall mean the number of months determined by multiplying the number of *Executive*’s full years of employment with *Company* or any subsidiary or affiliate of *Company* (including periods of employment with Sara Lee Corporation) by two; provided, however, that in no event shall the *Severance Period* be less than twelve months or more than twenty-four months. “*Base Salary*” shall mean the annual salary in effect for *Executive* immediately prior to his *Termination Date*. At the discretion of the *Committee*, *Executive* may receive an additional salary portion in an amount equal to as much as 100% of *Executive*’s target bonus under the *Annual Incentive Plan*.
 - (ii) *Executive* shall receive a pro-rata amount (determined based upon the number of days from the first day of the *Company*’s current fiscal year to *Executive*’s *Termination Date* divided by the total number of days in the applicable performance period and based on actual performance and achievement of any performance goals) of:
 - (A) The annual incentive, if any, payable under the *Annual Incentive Plan* in effect with respect to the fiscal year or *Short Year* in which the *Termination Date* occurs based on actual fiscal year performance (the “*Annual Incentive Portion of Severance*”). “*Annual Incentive Plan*” means the Hanesbrands Inc. annual incentive plan in which *Executive* participates as of the *Termination Date*; and
 - (B) The long-term incentive payable under the *Omnibus Plan* in effect on *Executive*’s *Termination Date* for any performance period or cycle that is at least fifty (50) percent completed prior to *Executive*’s *Termination Date* and which relates to the period of his service prior to his *Termination Date*. The “*Omnibus Plan*” means the Hanesbrands Inc. Omnibus Incentive Plan of 2006, as amended from time to time, and any successor plan or plans. The long-term incentive described in this section (“*Long-Term Cash Incentive Plan*”) includes cash long-term incentives, but does not include stock options, RSUs, or other equity awards.

Such amounts shall be payable as provided in section 2(c). Treatment of stock options, RSUs, or other equity awards shall be determined pursuant to the *Executive*’s award agreement(s). *Executive* shall not be eligible for any new *Annual Incentive Plan* grants, *Long-Term Cash Incentive Plan* grants, or any other grants of stock options, RSUs, or other equity awards under the *Omnibus Plan* during the *Severance Period*.

- (iii) Beginning on his *Termination Date*, *Executive* shall be eligible to elect continued coverage under the group medical and dental plan available to similarly situated senior executives. If *Executive* elects continuation coverage for medical coverage, dental coverage or both, he shall pay the entire COBRA premium charged for such continuation coverage during the *Severance Period*; provided, however, that during the *Severance Period* *Company* shall reimburse *Executive* for that portion of the COBRA premium paid that exceeds the amount payable by an active executive of *Company* for similar coverage, as adjusted from time to time. Such reimbursement shall be made to *Executive* on the 20th day of each calendar month during the *Severance Period*, or within ten (10) business days thereafter. The amount eligible for reimbursement under this subparagraph in any calendar year shall not affect any amounts eligible for reimbursement to be provided in any other calendar year. In addition, *Executive's* right to reimbursement hereunder shall not be subject to liquidation or exchange for any other benefit. *Executive's* right to COBRA continuation coverage under any such group health plan shall be reduced by the number of months of medical and dental coverage otherwise provided pursuant to this subparagraph. The premium charged for any continuation coverage after the end of the *Severance Period* shall be entirely at *Executive's* expense and shall be the actuarially determined cost of the continuation coverage as determined by an actuary selected by the *Company* (in accordance with the requirements under COBRA, to the extent applicable). *Executive* shall not be entitled to reimbursement of any portion of the premium charged for such coverage after the end of the *Severance Period*. *Executive's* COBRA continuation coverage shall terminate in accordance with the COBRA continuation of coverage provisions under *Company's* group medical and dental plans. If *Executive* is eligible for early retirement under the terms of the *Retirement Plan* (or would become eligible if the *Severance Period* is considered as employment), then, after exhausting any COBRA continuation coverage under the group medical plan, *Executive* may elect to participate in any retiree medical plan available to similarly situated senior executives in accordance with the terms and conditions of such plan in effect on and after *Executive's Termination Date*; provided, that such retiree medical coverage shall not be available to *Executive* unless he or she elects such coverage within thirty (30) days following his *Termination Date*. The premium charged for such retiree medical coverage may be different (greater) than the premium charged an active employee for similar coverage;
- (iv) Except as otherwise provided herein or in the applicable plan, participation in all other *Company* plans available to similarly situated senior executives including but not limited to, qualified pension plans, stock purchase plans, matching grant programs, 401(k) plans and ESOPs, personal accident insurance, travel accident insurance, short and long term disability insurance, and accidental death and dismemberment insurance, shall cease on *Executive's Termination Date*. During the *Severance*

Period, *Company* shall continue to maintain life insurance covering *Executive* under *Company's Executive Life Insurance Plan* in accordance with its terms. If *Executive* is eligible for early retirement or becomes eligible for early retirement during the *Severance Period*, then *Company* will continue to pay the premiums (or prepay the entire premium) so that *Executive* has a paid-up life insurance benefit equal to his annual salary on his *Termination Date*.

(c) **Payment of Severance.** Subject to section 15:

(i) **Salary Portion.** The *Salary Portion of Severance* shall be paid as follows:

- (A) That portion of the *Salary Portion of Severance* that exceeds the “*Separation Pay Limit*,” if any, shall be paid to *Executive* in a lump sum payment as soon as practicable following the *Termination Date*, but in no event later than the fifteenth day of the third month after the date of the termination of *Executive's* employment. The “*Separation Pay Limit*” shall mean two (2) times the lesser of (1) the sum of *Executive's* annualized compensation based upon the annual rate of pay for services provided to *Company* for the calendar year immediately preceding the calendar year in which the *Termination Date* occurs (adjusted for any increase during that calendar year that was expected to continue indefinitely if *Executive* had not terminated employment); and (2) the maximum dollar amount of compensation that may be taken into account under a tax-qualified retirement plan under *Code Section 401(a)(17)* for the year in which the *Termination Date* occurs. The payment to be made to *Executive* pursuant to this subparagraph (A) is intended to be exempt from *Code Section 409A* (as defined in section 15) under the exemption found in Regulation Section 1.409A-(b)(4) for short-term deferrals.
- (B) The remaining portion of the *Salary Portion of Severance* shall be paid during the *Severance Period* in accordance with *Company's* payroll schedule, unless the *Committee* shall elect to pay the remaining *Salary Portion of Severance* in a lump sum payment or a combination of regular payments and a lump sum payment. Any lump sum payment shall be paid to *Executive* as soon as practicable following the *Termination Date*, but in no event later than the fifteenth day of the third month after the date of the termination of *Executive's* employment. Notwithstanding the foregoing, in no event shall such remaining portion of the *Salary Portion of Severance* be paid to *Executive* later than December 31 of the second calendar year following the calendar year in which *Executive's* *Termination Date* occurs. The payment(s) to be made to *Executive* pursuant to this subparagraph (B) are intended to be exempt from *Code Section 409A* (as defined in section 15) under the exemption found in Regulation Section 1.409A-1(b)(9)(iii) for separation pay plans (i.e., the so-called “two times” pay exemption).

- (ii) **Incentive Portion.** The *Annual Incentive Portion of Severance*, if any, shall be paid in cash on the same date the active participants under the *Annual Incentive Plan* are paid. The *Long-Term Cash Incentive Plan* payout, if any, shall be paid in the same form and on the same date the active participants under the *Omnibus Plan* are paid.
 - (iii) **Withholding.** All payments hereunder shall be reduced by such amount as *Company* (or any subsidiary or affiliate of *Company*) may be required under all applicable federal, state, local or other laws or regulations to withhold or pay over with respect to such payment.
 - (d) **Termination of Benefits.** Notwithstanding any provisions in this *Agreement* to the contrary, all rights to receive or continue to receive severance payments and benefits under this section 2 shall cease on the earliest of: (i) the date *Executive* breaches any of the covenants in the separation and release agreement described in section 2(e); or (ii) the date *Executive* becomes reemployed by *Company* or any of its subsidiaries or affiliates.
 - (e) **Separation and Release Agreement.** No benefits under this section 2 shall be payable to *Executive* unless *Executive* and *Company* have executed a separation and release agreement within forty-five (45) days following the *Termination Date* and the payment of severance benefits under this section 2 shall be subject to the terms and conditions of the separation and release agreement.
 - (f) **Death of Executive.** In the event that *Executive* shall die prior to the payment in full of any benefits described above as payable to *Executive* for *Involuntary Termination*, payments of such benefits shall cease on the date of *Executive's* death.
3. **Change in Control Benefits.**
- (a) **Eligibility for Change in Control Benefits.**
 - (i) **Eligible Terminations.** If (A) within three (3) months preceding a *Change in Control*, the *Executive's* employment is terminated by the *Company* at the request of a third party in contemplation of a *Change in Control*, (B) within twenty-four (24) months following a *Change in Control*, *Executive's* employment is terminated by *Company* other than on account of *Executive's* death, disability or retirement and other than for *Cause*, or (C) within twenty-four (24) months following a *Change in Control* *Executive* voluntarily terminates his employment for *Good Reason*, *Executive* shall be entitled to the *Change in Control* benefits as described in section 3(b) below.
 - (ii) **Good Reason.** For purposes of this section 3, "*Good Reason*" means the occurrence of any one or more of the following (without *Executive's* written consent after a *Change in Control*):
 - (A) A material adverse change in *Executive's* duties or responsibilities;
 - (B) A reduction in *Executive's* annual base salary except any reduction of not more than ten (10) percent;

- (C) A material reduction in *Executive's* level of participation in any of *Company's* short- and/or long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices or arrangements in which *Executive* participates except for any reduction applicable to all senior executives;
- (D) The failure of any successor to *Company* to assume and agree to perform this *Agreement*; or
- (E) *Company's* requiring *Executive* to be based at an office location which is at least fifty (50) miles from his or her office location at the time of the *Change in Control*.

The existence of *Good Reason* shall not be affected by *Executive's* temporary incapacity due to physical or mental illness not constituting a *Disability*. *Executive's* retirement shall constitute a waiver of his or her rights with respect to any circumstance constituting *Good Reason*. *Executive's* continued employment shall not constitute a waiver of his or her rights with respect to any circumstances which may constitute *Good Reason*; provided, however, that *Executive* may not rely on any particular action or event described in clause (A) through (E) above as a basis for terminating his employment for *Good Reason* unless he delivers a *Notice of Termination* based on that action or event within ninety (90) days after its occurrence and *Company* has failed to correct the circumstances cited by *Executive* as constituting *Good Reason* within thirty (30) days of receiving the *Notice of Termination*.

(iii) **Change in Control.** For purposes of this *Agreement*, a "*Change in Control*" will occur:

- (A) Upon the acquisition by any individual, entity or group, including any *Person* (as defined in the United States Securities Exchange Act of 1934, as amended (the "*Exchange Act*")), of beneficial ownership (as defined in Rule 13d-3 promulgated under the *Exchange Act*), directly or indirectly, of twenty (20) percent or more of the combined voting power of the then outstanding capital stock of *Company* that by its terms may be voted on all matters submitted to stockholders of *Company* generally ("*Voting Stock*"); provided, however, that the following acquisitions shall not constitute a *Change in Control*:
 - 1) Any acquisition directly from *Company* (excluding any acquisition resulting from the exercise of a conversion or exchange privilege in respect of outstanding convertible or exchangeable securities unless such outstanding convertible or exchangeable securities were acquired directly from *Company*);
 - 2) Any acquisition by *Company*;

- 3) Any acquisition by an employee benefit plan (or related trust) sponsored or maintained by *Company* or any corporation controlled by *Company*; or
 - 4) Any acquisition by any corporation pursuant to a reorganization, merger or consolidation involving *Company*, if, immediately after such reorganization, merger or consolidation, each of the conditions described in clauses (1), (2) and (3) of subparagraph 3(a)(iii)(B) below shall be satisfied; and provided further that, for purposes of clause (2) immediately above, if (i) any *Person* (other than *Company* or any employee benefit plan (or related trust) sponsored or maintained by *Company* or any corporation controlled by *Company*) shall become the beneficial owner of twenty (20) percent or more of the *Voting Stock* by reason of an acquisition of *Voting Stock* by *Company*, and (ii) such *Person* shall, after such acquisition by *Company*, become the beneficial owner of any additional shares of the *Voting Stock* and such beneficial ownership is publicly announced, then such additional beneficial ownership shall constitute a *Change in Control*; or
- (B) Upon the consummation of a reorganization, merger or consolidation of *Company*, or a sale, lease, exchange or other transfer of all or substantially all of the assets of *Company*; excluding, however, any such reorganization, merger, consolidation, sale, lease, exchange or other transfer with respect to which, immediately after consummation of such transaction:
- 1) All or substantially all of the beneficial owners of the *Voting Stock* of *Company* outstanding immediately prior to such transaction continue to beneficially own, directly or indirectly (either by remaining outstanding or by being converted into voting securities of the entity resulting from such transaction), more than fifty (50) percent of the combined voting power of the voting securities of the entity resulting from such transaction (including, without limitation, *Company* or an entity which as a result of such transaction owns *Company* or all or substantially all of *Company*'s property or assets, directly or indirectly) (the "*Resulting Entity*") outstanding immediately after such transaction, in substantially the same proportions relative to each other as their ownership immediately prior to such transaction; and
 - 2) No *Person* (other than any *Person* that beneficially owned, immediately prior to such reorganization, merger, consolidation, sale or other disposition, directly or indirectly, *Voting Stock* representing twenty (20) percent or more of the combined voting power of *Company*'s then outstanding

securities) beneficially owns, directly or indirectly, twenty (20) percent or more of the combined voting power of the then outstanding securities of the *Resulting Entity*; and

3) At least a majority of the members of the board of directors of the entity resulting from such transaction were members of the board of directors of *Company* (the “*Board*”) at the time of the execution of the initial agreement or action of the *Board* authorizing such reorganization, merger, consolidation, sale or other disposition; or

(C) Upon the consummation of a plan of complete liquidation or dissolution of *Company*; or

(D) When the *Initial Directors* cease for any reason to constitute at least a majority of the *Board*. For this purpose, an “*Initial Director*” shall mean those individuals serving as the directors of *Company* as of the date of this *Agreement*; provided, however, that any individual who becomes a director of *Company* at or after the first annual meeting of stockholders of *Company* whose election, or nomination for election by the *Company*’s stockholders, was approved by the vote of at least a majority of the *Initial Directors* then comprising the *Board* (or by the nominating committee of the *Board*, if such committee is comprised of *Initial Directors* and has such authority) shall be deemed to have been an *Initial Director*; and provided further, that no individual shall be deemed to be an *Initial Director* if such individual initially was elected as a director of *Company* as a result of: (1) an actual or threatened solicitation by a *Person* (other than the *Board*) made for the purpose of opposing a solicitation by the *Board* with respect to the election or removal of directors; or (2) any other actual or threatened solicitation of proxies or consents by or on behalf of any *Person* (other than the *Board*).

(iv) **Termination Date.** For purposes of this section 3, “*Termination Date*” shall mean the date specified in the *Notice of Termination* as the date on which the conditions giving rise to *Executive*’s termination were first met.

(b) **Change in Control Benefits.** In the event *Executive* becomes entitled to receive benefits under this section 3, the following shall apply:

(i) In consideration of *Executive*’s covenants hereunder, *Executive* shall be entitled to receive the following amounts, payable as provided in section 3(j):

(A) A lump sum payment equal to the unpaid portion of *Executive*’s annual *Base Salary* and vacation accrued through the *Termination Date*;

(B) A lump sum payment equal to *Executive*’s prorated *Annual Incentive Plan* payment (as determined in accordance with subparagraph 2(b)(ii)(A) above);

- (C) A lump sum payment equal to *Executive's* prorated *Long-Term Cash Incentive Plan* payment (as determined in accordance with subparagraph 2(b)(ii)(B) above); and
- (D) A lump sum payment equal to two times the sum of (1) *Executive's* annual *Base Salary*; and (2) the greater of (i) *Executive's* target annual incentive (as defined in the *Annual Incentive Plan*) for the year in which the *Change in Control* occurs and (ii) *Executive's* average annual incentive calculated over the three (3) fiscal years immediately preceding the year in which the *Change in Control* occurs; and (3) an amount equal to the *Company* matching contribution to the defined contribution plan in which *Executive* is participating at the *Termination Date* (currently 4%).

Treatment of stock options, RSUs, or other equity awards shall be determined pursuant to the *Executive's* award agreement(s). *Executive* shall not be eligible for any new *Annual Incentive Plan* grants, *Long-Term Cash Incentive Plan* grants, or any other grants of stock options, RSUs, or other equity awards under the *Omnibus Plan* with respect to the *CIC Severance Period* as defined immediately below.

- (ii) For a period of 24 months following *Executive's Termination Date* (the "*CIC Severance Period*"), *Executive* shall have the right to elect continuation of the life insurance, personal accident insurance, travel accident insurance and accidental death and dismemberment insurance coverages which insurance coverages shall be provided at the same levels and the same costs in effect immediately prior to the *Change in Control*. Beginning on his *Termination Date*, *Executive* shall be eligible to elect continued coverage under the group medical and dental plan available to similarly situated senior executives. If *Executive* elects continuation coverage for medical coverage, dental coverage or both, he shall pay the entire COBRA premium charged for such continuation coverage during the *CIC Severance Period*; provided, however, that during the *CIC Severance Period*, *Company* shall reimburse *Executive* for that portion of the COBRA premium paid that exceeds the amount payable by an active executive of *Company* for similar coverage, as adjusted from time to time. Such reimbursement shall be made to *Executive* on the 20th day of each calendar month during the *CIC Severance Period*, or within ten (10) business days thereafter. The amount eligible for reimbursement under this subparagraph in any calendar year shall not affect any amounts eligible for reimbursement to be provided in any other calendar year. In addition, *Executive's* right to reimbursement hereunder shall not be subject to liquidation or exchange for any other benefit. *Executive's* right to COBRA continuation coverage under any such group health plan shall be reduced by the number of months of coverage otherwise provided pursuant to this subparagraph. The premium charged for any continuation coverage after the end of the *CIC Severance Period* shall be entirely at *Executive's* expense and shall be the actuarially determined cost of the continuation coverage as determined by an actuary selected by the *Company* (in accordance with the requirements under COBRA, to the extent applicable). *Executive* shall not

be entitled to reimbursement of any portion of the premium charged for such coverage after the end of the *CIC Severance Period*. *Executive's* COBRA continuation coverage shall terminate in accordance with the COBRA continuation of coverage provisions under *Company's* group medical and dental plans. If *Executive* is eligible for early retirement under the terms of the *Retirement Plan* (or would become eligible if the *CIC Severance Period* is considered as employment), then, after exhausting any COBRA continuation coverage under the group medical plan, *Executive* may elect to participate in any retiree medical plan available to similarly situated senior executives in accordance with the terms and conditions of such plan in effect on and after *Executive's Termination Date*; provided, that such retiree medical coverage shall not be available to *Executive* unless he or she elects such coverage within thirty (30) days following his *Termination Date*. The premium charged for such retiree medical coverage may be different from the premium charged an active employee for similar coverage;

- (iii) If the aggregate benefits accrued by *Executive* as of the *Termination Date* under the savings and retirement plans sponsored by *Company* are not fully vested pursuant to the terms of the applicable plan(s), the difference between the benefits *Executive* is entitled to receive under such plans and the benefits he would have received had he been fully vested will be provided to *Executive* under the Hanesbrands Inc. Supplemental Employee Retirement Plan (the "*Supplemental Plan*"). In addition, for purposes of determining *Executive's* benefits under the *Supplemental Plan* and *Executive's* right to post-retirement medical benefits under *Company's* retiree medical plan, additional years of age and service credits equivalent to the length of the *CIC Severance Period* shall be included. However, *Executive* will not be eligible to begin receiving any retirement benefits under any such plans until the date he or she would otherwise be eligible to begin receiving benefits under such plans;
 - (iv) Except as otherwise provided herein or in the applicable plan, participation in all other plans of *Company* or any subsidiary or affiliate of *Company* available to similarly situated *Executives* of *Company*, shall cease on *Executive's Termination Date*.
- (c) **Termination for Disability.** If *Executive's* employment is terminated due to *Disability* following a *Change in Control*, *Executive* shall receive his *Base Salary* through the *Termination Date*, at which time his benefits shall be determined in accordance with *Company's* disability, retirement, insurance and other applicable plans and programs then in effect, and *Executive* shall not be entitled to any other benefits provided by this *Agreement*.
- (d) **Termination for Retirement or Death.** If *Executive's* employment is terminated by reason of his retirement or death following a *Change in Control*, *Executive's* benefits shall be determined in accordance with *Company's* retirement, survivor's benefits, insurance, and other applicable programs then in effect, and *Executive* shall not be entitled to any other benefits provided by this *Agreement*.

- (e) **Termination for Cause, or Other Than for Good Reason or Retirement.** If *Executive's* employment is terminated either by *Company* for *Cause*, or voluntarily by *Executive* (other than for *Retirement* or *Good Reason*) following a *Change in Control*, *Company* shall pay *Executive* his full *Base Salary* and accrued vacation through the *Termination Date*, at the rate then in effect, plus all other amounts to which such *Executive* is entitled under any compensation plans of *Company*, at the time such payments are due, and *Company* shall have no further obligations to such *Executive* under this *Agreement*.
- (f) **Separation and Release Agreement.** No benefits under this section 3 shall be payable to *Executive* unless *Executive* and *Company* have executed a "*Separation and Release Agreement*" (in substantially the form attached hereto as Exhibit A) within forty-five (45) days following the *Termination Date* and the payment of change in control benefits under this section 3 shall be subject to the terms and conditions of the *Separation and Release Agreement*.
- (g) **Deferred Compensation.** All amounts previously deferred by or accrued to the benefit of *Executive* under any nonqualified deferred compensation plan sponsored by *Company* (including, without limitation, any vested amounts deferred under incentive plans), together with any accrued earnings thereon, shall be paid in accordance with the terms of such plan following *Executive's* termination.
- (h) **Notice of Termination.** Any termination of employment under this section 3 by *Company* or by *Executive* for *Good Reason* shall be communicated by a written notice which shall indicate the specific *Change in Control* termination provision relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of *Executive's* employment under the provision so indicated (a "*Notice of Termination*").
- (i) **Termination of Benefits.** All rights to receive or continue to receive severance payments and benefits pursuant to this section 3 by reason of a *Change in Control* shall cease on the date *Executive* becomes reemployed by *Company* or any of its subsidiaries or affiliates.
- (j) **Form and Timing of Benefits.** Subject to the provisions of this section 3 and to section 15, the *Change in Control* benefits described herein shall be paid to *Executive* in cash in a single lump sum payment as soon as practicable following the *Termination Date*, but in no event later than the fifteenth day of the third month after the date of the *Executive's* termination of employment. The *Change in Control* benefits payable to *Executive* pursuant to this subparagraph (j) are intended to be exempt from *Code Section 409A* (as defined in section 15) under the exemption found in Regulation Section 1.409A-(b)(4) for short-term deferrals.
- (k) **Excise Tax Adjustment.** Subject to the limitation below, in the event that *Executive* becomes entitled to any payment or benefit under this section 3 (such benefits together with any other payments or benefits payable under any other agreement with, or plan or policy of, *Company* are referred to in the aggregate as the "*Total Payments*"), if all or any part of the *Total Payments* will, as determined by *Company*, be subject to the tax (the "*Excise Tax*") imposed by *Code Section 4999* (or any similar

tax that may hereafter be imposed), then such payment shall be either: (i) provided to *Executive* in full, or (ii) provided to *Executive* to such lesser extent as would result in no portion of such payment being subject to such *Excise Tax*, whichever of the foregoing amounts, when taking into account applicable federal, state, local and foreign income and employment taxes, such *Excise Tax*, and any other applicable taxes, results in the receipt by *Executive*, on an after-tax basis, of the greatest amount of the payment, notwithstanding that all or some portion of such payment may be taxable under such *Excise Tax*. To the extent such payment needs to be reduced pursuant to the preceding sentence, reductions shall come from taxable amounts before non-taxable amounts and beginning with the payments otherwise scheduled to occur soonest. *Executive* agrees to cooperate fully with *Company* to determine the benefits applicable under this section. For purposes of determining whether any of the *Total Payments* will be subject to the *Excise Tax*, and the amounts of such *Excise Tax*, the following shall apply:

- (i) Any other payments or benefits received or to be received by *Executive* in connection with a *Change in Control* or *Executive's* termination of employment (whether pursuant to the terms of this *Agreement* or any other plan, policy, arrangement or agreement with *Company*, or with any *Person* whose actions result in a *Change in Control* or any *Person* affiliated with *Company* or such *Persons*) shall be treated as "parachute payments" within the meaning of *Code* Section 280G(b)(2), and all "excess parachute payments" within the meaning of *Code* Section 280G(b)(1) shall be treated as subject to the *Excise Tax*, unless in the opinion of *Company's* tax counsel as supported by *Company's* independent auditors and acceptable to *Executive*, such other payments or benefits (in whole or in part) do not constitute parachute payments, or unless such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of *Code* Section 280G(b)(4) in excess of the base amount within the meaning of *Code* Section 280G(b)(3), or are otherwise not subject to the *Excise Tax*;
- (ii) The value of any noncash benefits or any deferred payment or benefit shall be determined by *Company's* independent auditors in accordance with the principles of *Code* Sections 280G(d)(3) and (4);
- (iii) *Executive* shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation, and state and local income taxes at the highest marginal rate of taxation in the state and locality of *Executive's* residence on the *Termination Date*, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes; and
- (iv) In the event the Internal Revenue Service adjusts any item included in *Company's* computations under this section 3(k) so that *Executive* did not receive the full net benefit intended under the provisions of this section 3(k), *Company* shall reimburse *Executive* for the full amount necessary to make *Executive* whole as determined by the *Committee*. Any such payment shall be treated for *Section 409A* purposes as a payment separate from the payment made pursuant to this subparagraph (k) immediately following *Executive's*

termination of employment and shall be made by *Company* to *Executive* within twenty (20) days of the date he remits the additional taxes as a result of such adjustment; provided, however, that no such payment shall be made following the calendar year after the calendar year in which such adjustment was made by the Internal Revenue Service.

- (l) **Company's Payment Obligation.** Subject to the provisions of section 4, *Company's* obligation to make the payments and the arrangements provided in this section 3 shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which *Company* may have against *Executive* or anyone else. All amounts payable by *Company* under this section 3 shall be paid without notice or demand and each and every payment made by *Company* shall be final, and *Company* shall not seek to recover all or any part of such payment from *Executive* or from whomsoever may be entitled thereto, for any reason except as provided in section 3(k) above or in section 4.
- (m) **Other Employment.** *Executive* shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under this section 3, and the obtaining of any such other employment shall in no event result in any reduction of *Company's* obligations to make the payments and arrangements required to be made under this section 3, except to the extent otherwise specifically provided in this *Agreement*.
- (n) **Payment of Legal Fees and Expenses.** To the extent permitted by law, *Company* shall reimburse *Executive* for all reasonable legal fees, costs of litigation or arbitration, prejudgment or pre-award interest, and other expenses incurred in good faith by *Executive* as a result of *Company's* refusal to provide benefits under this section 3, or as a result of *Company* contesting the validity, enforceability or interpretation of the provisions of this section 3, or as the result of any conflict (including conflicts related to the calculation of parachute payments or the characterization of *Executive's* termination) between *Executive* and *Company*; provided that the conflict or dispute is resolved in *Executive's* favor and *Executive* acts in good faith in pursuing his rights under this section 3. Such reimbursement shall be made within thirty (30) days following final resolution, in favor of *Executive*, of the conflict or dispute giving rise to such fees and expenses. In no event shall *Executive* be entitled to receive the reimbursements provided for in this subparagraph if he acts in bad faith or pursues a claim without merit, or if he fails to prevail in any action instituted by him or *Company*.
- (o) **Arbitration for Change in Control Benefits.** Any dispute or controversy arising under or in connection with the benefits provided under this section 3 shall promptly and expeditiously be submitted to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association in effect at the time of such arbitration proceeding utilizing a panel of three (3) arbitrators sitting in a location selected by *Executive* within fifty (50) miles from the location of his employment with *Company*. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The costs and expenses of both parties, including, without limitation, attorneys' fees shall be borne by

Company. Pending the resolution of any such dispute, controversy or claim, *Executive* (and his beneficiaries) shall, except to the extent that the arbitrator otherwise expressly provides, continue to receive all payments and benefits due under this section 3.

4. **Remedies.** In the event of any actual or threatened breach of the provisions of this *Agreement* or any separation and release agreement, the party who claims such breach or threatened breach shall give the other party written notice and, except in the case of a breach which is not susceptible to being cured, ten calendar days in which to cure. In the event of a breach of any provision of this *Agreement* or any separation and release agreement by *Executive*, (i) *Executive* shall reimburse *Company*: the full amount of any payments made under section 2(b)(i), (ii), or (iii) or section 3(b)(i) of this *Agreement* (as the case may be), (ii) *Company* shall have the right, in addition to and without waiving any other rights to monetary damages or other relief that may be available to *Company* at law or in equity, to immediately discontinue any remaining payments due under subparagraph 2(b)(i), (ii) or (iii) or subparagraph 3(b)(i) of this *Agreement* (as the case may be) including but not limited to any remaining *Salary Portion of Severance* payments, and (iii) the *Severance Period* or the *CIC Severance Period* (as the case may be) shall thereupon cease, provided that *Executive's* obligations under, if applicable, any separation and release agreement shall continue in full force and effect in accordance with their terms for the entire duration of the *Severance Period* or *CIC Severance Period* as applicable. In addition, *Executive* acknowledges that *Company* will suffer irreparable injury in the event of a breach or violation or threatened breach or violation of the provisions of this *Agreement* or any separation and release agreement and agrees that in the event of an actual or threatened breach or violation of such provisions, in addition to the other remedies or rights available to under this *Agreement* or otherwise, *Company* shall be awarded injunctive relief in the federal or state courts located in North Carolina to prohibit any such violation or breach or threatened violation or breach, without necessity of posting any bond or security.

5. **Committee.** Except as specifically provided herein, this *Agreement* shall be administered by the Compensation and Benefits Committee of the *Board* (the "*Committee*"). The *Committee* may delegate any administrative duties, including, without limitation, duties with respect to the processing, review, investigation, approval and payment of severance/*Change in Control* benefits, to designated individuals or committees.

6. **Claims Procedure.** If *Executive* believes that he is entitled to receive severance benefits under this *Agreement*, he may file a claim in writing with the *Committee* within ninety (90) days after the date such *Executive* believes he or she should have received such benefits. No later than ninety (90) days after the receipt of the claim, the *Committee* shall either allow or deny the claim in writing. A denial of a claim, in whole or in part, shall be written in a manner calculated to be understood by *Executive* and shall include the specific reason or reasons for the denial; specific reference to the pertinent provisions of this *Agreement* on which the denial is based; a description of any additional material or information necessary for *Executive* to perfect the claim and an explanation of why such material or information is necessary; and an explanation of the claim review procedure. *Executive* (or his duly authorized representative) may within sixty 60 days after receipt of the denial of his claim request a review upon written application to the *Committee*; review pertinent documents; and submit issues and comments in writing. The *Committee* shall notify *Executive* of its decision on review within sixty (60) days after receipt of a request for review unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one-hundred twenty (120) days after receipt of a request for review. Notice of the decision on review shall be in writing. The *Committee's* decision on review

shall be final and binding on *Executive* and any successor in interest. If *Executive* subsequently wishes to file a claim under Section 502(a) of ERISA, any legal action must be filed within ninety (90) days of the *Committee's* final decision. *Executive* must exhaust the claims procedure provided in this section 6 before filing a claim under ERISA with respect to any benefits provided under section 2 of this *Agreement*.

7. **Notices.** Any notice required or permitted to be given under this *Agreement* shall be sufficient if in writing and either delivered in person or sent by first class, certified or registered mail, postage prepaid, if to *Company* at *Company's* principal place of business, and if to *Executive*, at his home address most recently filed with *Company*, or to such other address as either party shall have designated in writing to the other party.

8. **Governing Law.** This *Agreement* shall be governed by and construed in accordance with the laws of the State of North Carolina without regard to any state's conflict of law principles.

9. **Severability and Construction.** If any provision of this *Agreement* is declared void or unenforceable or against public policy, such provision shall be deemed severable and severed from this *Agreement* and the balance of this *Agreement* shall remain in full force and effect. If a court of competent jurisdiction determines that any restriction in this *Agreement* is overbroad or unreasonable under the circumstances, such restriction shall be modified or revised by such court to include the maximum reasonable restriction allowed by law.

10. **Waiver.** Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition.

11. **Entire Agreement Modifications.** This *Agreement* (including all exhibits hereto) constitutes the entire agreement of the parties with respect to the subject matter hereof and supersede all prior agreements, oral and written, between the parties hereto with respect to the subject matter hereof. In the event of any inconsistency between any provision of this *Agreement* and any provision of any plan, employee handbook, personnel manual, program, policy, arrangement or agreement of *Company* or any of its subsidiaries or affiliates, the provisions of this *Agreement* shall control. This *Agreement* may be modified or amended only by an instrument in writing signed by both parties. Each of the parties hereto has relied on his or its own judgment in entering into this *Agreement*.

12. **Withholding.** All payments made to *Executive* pursuant to this *Agreement* will be subject to withholding of employment taxes and other lawful deductions, as applicable.

13. **Survivorship.** Except as otherwise set forth in this *Agreement*, to the extent necessary to carry out the intentions of the parties hereunder the respective rights and obligations of the parties hereunder shall survive any termination of *Executive's* employment.

14. **Successors and Assigns.** This *Agreement* shall bind and shall inure to the benefit of *Company* and any and all of its successors and assigns. This *Agreement* is personal to *Executive* and shall not be assignable by *Executive*. *Company* may assign this *Agreement* to any entity which (i) purchases all or substantially all of the assets of *Company* or (ii) is a direct or indirect successor (whether by merger, sale of stock or transfer of assets) of *Company*. Any such assignment shall be valid so long as the entity which succeeds to *Company* expressly assumes *Company's* obligations hereunder and complies with its terms.

15. **Compliance with Code Section 409A.** To the extent applicable, it is intended that the payment of benefits described in this *Agreement* comply with *Code Section 409A* and all guidance or regulations thereunder ("*Section 409A*"), including compliance with all applicable exemptions from *Section 409A* (e.g., the short-term deferral exception and the "two times" pay exemption applicable to severance payments). This *Agreement* will at all times be construed in a manner to comply with *Section 409A* and should any provision be found not in compliance with *Section 409A*, *Executive* hereby agrees to any changes to the terms of this *Agreement* deemed necessary and required by legal counsel for *Company* to achieve compliance with *Section 409A*, including any applicable exemptions. By signing a copy of this *Agreement*, *Executive* irrevocably waives any objections he may have to any changes that may be required by *Section 409A*. In no event will any payment that becomes payable pursuant to this *Agreement* that is considered "deferred compensation" within the meaning of *Section 409A*, if any, and does not satisfy any of the applicable exemptions under *Section 409A*, be accelerated in violation of *Section 409A*. If *Executive* is a "specified employee" as defined in *Section 409A*, any payment that becomes payable pursuant to this *Agreement* that is considered "deferred compensation" within the meaning of *Section 409A* and does not satisfy any of the applicable exemptions under *Section 409A* may not be made before the date that is six months after *Executive's* separation from service (or death, if earlier). To the extent *Executive* becomes subject to the six-month delay rule, all payments that would have been made to *Executive* during the six months following his separation from service that are not otherwise exempt from *Section 409A*, if any, will be accumulated and paid to *Executive* during the seventh month following his separation from service, and any remaining payments due will be made in their ordinary course as described in this *Agreement*. *Company* will notify *Executive* should he become subject to the six month delay rule.

IN WITNESS WHEREOF, *Company* and *Executive* have duly executed and delivered this *Agreement* as of the day and year first above written.

EXECUTIVE: _____

Signature: _____

HANESBRANDS INC.

By: _____

Title: _____

Exhibit A

MODEL FORM

SEPARATION AND RELEASE AGREEMENT

Hanesbrands Inc. (the “Company”) and _____ (the “Executive”) enter into this Separation and Release Agreement which was received by Executive on the ___ day of _____, 20___, signed by Executive on the ___ day of _____, 20___, and is effective on the ___ day of _____, 20___ (the “Effective Date”). The Effective Date shall be no less than 7 days after the date signed by Executive.

WITNESSETH:

WHEREAS, Executive has been employed by the Company as a _____; and

WHEREAS, Executive’s employment with the Company is terminated as of _____, 20___ (the “Termination Date”); and

WHEREAS, pursuant to that certain Severance/Change in Control Agreement between Company and Executive dated _____, 20___ (the “Change in Control Agreement”), upon a termination of Executive’s employment that satisfies the conditions specified in the Change in Control Agreement, Executive is entitled to the benefits described in the Change in Control Agreement provided Executive executes a separation and release agreement acceptable to Company; and

WHEREAS, this separation and release agreement (the “Agreement”) is intended to satisfy the requirements of the Change in Control Agreement and to form a part of the Change in Control Agreement in such a manner that all the rights, duties and obligations arising between Executive and Company, including, but in no way limited to, any rights, duties and obligations that have arisen or might arise out of or are in any way related to Executive’s employment with the Company and the conclusion of that employment are settled herein through the joinder of the Change in Control Agreement with this Agreement.

NOW, THEREFORE, in consideration of the obligations of the parties under the Change in Control Agreement and the additional covenants and mutual promises herein contained, it is further agreed as follows:

1. **Termination Date.** Executive agrees to resign Executive’s employment and all appointments Executive holds with Company, and its subsidiaries and affiliates, on the Termination Date. Executive understands and agrees that Executive’s employment with the Company will conclude on the close of business on the Termination Date.

2. **Termination Benefits.** Executive and Company agree that Executive shall receive the benefits described in the Change in Control Agreement, less all applicable withholding taxes and other customary payroll deductions, provided in the Change in Control Agreement.

3. **Receipt of Other Compensation.** Executive acknowledges and agrees that, other than as specifically set forth in the Change in Control Agreement or this Agreement, following the

Termination Date, Executive is not and will not be due any compensation, including, but not limited to, compensation for unpaid salary (except for amounts unpaid and owing for Executive's employment with Company, its subsidiaries or affiliates prior to the Termination Date), unpaid bonus, severance and accrued or unused vacation time or vacation pay from the Company or any of its subsidiaries or affiliates. Except as provided herein or in the Change in Control Agreement, Executive will not be eligible to participate in any of the benefit plans of the Company after Executive's Termination Date. However, Executive will be entitled to receive benefits which are vested and accrued prior to the Termination Date pursuant to the employee benefit plans of the Company. Any participation by Executive (if any) in any of the compensation or benefit plans of the Company as of and after the Termination Date shall be subject to and determined in accordance with the terms and conditions of such plans, except as otherwise expressly set forth in the Change in Control Agreement or this Agreement.

4. **Continuing Cooperation.** Following the Termination Date, Executive agrees to cooperate with all reasonable requests for information made by or on behalf of Company with respect to the operations, practices and policies of the Company. In connection with any such requests, the Company shall reimburse Executive for all out-of-pocket expenses reasonably and necessarily incurred in responding to such request(s).

5. **Executive's Representation and Warranty.** Executive hereby represents and warrants that, during Executive's period of employment with the Company, Executive did not willfully or negligently breach Executive's duties as an employee or officer of the Company, did not commit fraud, embezzlement, or any other similar dishonest conduct, and did not violate the Company's business standards.

6. **Non-Solicitation and Non-Compete.** In consideration of the benefits provided under this Agreement and in the Change in Control Agreement, Executive agrees that during Executive's employment and for the duration of the applicable Severance Period as determined pursuant to the terms of the Change in Control Agreement, Executive will not, without the prior written consent of Company, either alone or in association with others, solicit for employment or assist or encourage the solicitation for employment, any employee of Company, or any of its subsidiaries or affiliates; will not, without the prior written consent of Company, solicit any customer of Company, or any of its subsidiaries or affiliates, to induce or attempt to induce such person or entity to cease or reduce doing business with Company, or any of its subsidiaries or affiliates, or interfere with the relationship between Company and any such customer; and will not, without the prior written consent of Company, directly or indirectly counsel, advise, perform services for, or be employed by, or otherwise engage or participate in any Competing Business (regardless of whether Executive receives compensation of any kind). For purposes of this Agreement, a "Competing Business" shall mean any commercial activity which competes or is reasonably likely to compete with any business that the Company conducts, or demonstrably anticipates conducting, as of Executive's Termination Date.

7. **Confidentiality.** At all times after the Effective Date, Executive will maintain the confidentiality of all information in whatever form concerning Company or any of its subsidiaries or affiliates relating to its or their businesses, customers, finances, strategic or other plans, marketing, employees, trade practices, trade secrets, know-how or other matters which are not generally known outside Company or any of its subsidiaries or affiliates, and Executive will not, directly or indirectly, make any disclosure thereof to anyone, or make any use thereof, on Executive's own behalf or on

behalf of any third party, unless specifically requested by or agreed to in writing by an executive officer of Company. In addition, Executive agrees that Executive will not disclose the existence or terms of this Agreement to any third parties with the exception of Executive's accountants, attorneys, or spouse, and shall ensure that none of them discloses such existence or terms to any other person, except as required to comply with law. Executive will promptly return to Company all reports, files, memoranda, records, computer equipment and software, credit cards, cardkey passes, door and file keys, computer access codes or disks and instructional manuals, and other physical or personal property which Executive received or prepared or helped prepare in connection with Executive's employment and Executive will not retain any copies, duplicates, reproductions or excerpts thereof. The obligations of this paragraph 7 shall survive the expiration of this Agreement.

8. **Non-Disparagement.** At all times after the Effective Date, Executive will not disparage or criticize, orally or in writing, the business, products, policies, decisions, directors, officers or employees of Company or any of its subsidiaries or affiliates to any person. Company also agrees that none of its executive officers will disparage or criticize Executive to any person or entity. The obligations of this paragraph 8 shall survive the expiration of this Agreement.

9. **Breach of Agreement.** Any actual or threatened breach of this Agreement will be handled as provided in the Change in Control Agreement.

10. **Release.**

- (a) Executive on behalf of Executive, Executive's heirs, executors, administrators and assigns, does hereby knowingly and voluntarily release, acquit and forever discharge Company and any of its subsidiaries, affiliates, successors, assigns and past, present and future directors, officers, employees, trustees and shareholders (the "Released Parties") from and against any and all complaints, claims, cross-claims, third-party claims, counterclaims, contribution claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses of any nature whatsoever, known or unknown, suspected or unsuspected, foreseen or unforeseen, matured or unmatured, which, at any time up to and including the date on which Executive signs this Agreement, exists, have existed, or may arise from any matter whatsoever occurring, including, but not limited to, any claims arising out of or in any way related to Executive's employment with Company or its subsidiaries or affiliates and the conclusion thereof, which Executive, or any of Executive's heirs, executors, administrators, assigns, affiliates, and agents ever had, now has or at any time hereafter may have, own or hold against any of the Released Parties based on any matter existing on or before the date on which Executive signs this Agreement. Executive acknowledges that in exchange for this release, Company is providing Executive with total consideration, financial or otherwise, which exceeds what Executive would have been given without the release. By executing this Agreement, Executive is waiving, without limitation, all claims (except for the filing of a charge with an administrative agency) against the Released Parties arising under federal, state and local labor and antidiscrimination laws, any employment related claims under the employee Retirement Income Security Act of 1974, as amended, and any other restriction on the right to terminate employment, including, without limitation, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act of 1990, as amended, and the North

Carolina Equal Employment Practices Act, as amended. Nothing herein shall release any party from any obligation under this Agreement. Executive acknowledges and agrees that this release and the covenant not to sue set forth in paragraph (c) below are essential and material terms of this Agreement and that, without such release and covenant not to sue, no agreement would have been reached by the parties and no benefits under the Change in Control Agreement would have been paid. Executive understands and acknowledges the significance and consequences of this release and this Agreement.

- (b) EXECUTIVE SPECIFICALLY WAIVES AND RELEASES THE RELEASED PARTIES FROM ALL CLAIMS EXECUTIVE MAY HAVE AS OF THE DATE EXECUTIVE SIGNS THIS AGREEMENT REGARDING CLAIMS OR RIGHTS ARISING UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, 29 U.S.C. § 621 (“ADEA”). EXECUTIVE FURTHER AGREES: (i) THAT EXECUTIVE’S WAIVER OF RIGHTS UNDER THIS RELEASE IS KNOWING AND VOLUNTARY AND IN COMPLIANCE WITH THE OLDER WORKERS BENEFIT PROTECTION ACT OF 1990; (ii) THAT EXECUTIVE UNDERSTANDS THE TERMS OF THIS RELEASE; (iii) THAT EXECUTIVE’S WAIVER OF RIGHTS IN THIS RELEASE IS IN EXCHANGE FOR CONSIDERATION THAT WOULD NOT OTHERWISE BE OWING TO EXECUTIVE PURSUANT TO ANY PREEXISTING OBLIGATION OF ANY KIND HAD EXECUTIVE NOT SIGNED THIS RELEASE; (iv) THAT EXECUTIVE HEREBY IS AND HAS BEEN ADVISED IN WRITING BY COMPANY TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS RELEASE; (v) THAT COMPANY HAS GIVEN EXECUTIVE A PERIOD OF AT LEAST FORTY-FIVE (45) DAYS WITHIN WHICH TO CONSIDER THIS RELEASE; (vi) THAT EXECUTIVE REALIZES THAT FOLLOWING EXECUTIVE’S EXECUTION OF THIS RELEASE, EXECUTIVE HAS SEVEN (7) DAYS IN WHICH TO REVOKE THIS RELEASE BY WRITTEN NOTICE TO THE UNDERSIGNED, AND (vii) THAT THIS ENTIRE AGREEMENT SHALL BE VOID AND OF NO FORCE AND EFFECT IF EXECUTIVE CHOOSES TO SO REVOKE, AND IF EXECUTIVE CHOOSES NOT TO SO REVOKE, THAT THIS AGREEMENT AND RELEASE THEN BECOME EFFECTIVE AND ENFORCEABLE UPON THE EIGHTH DAY AFTER EXECUTIVE SIGNS THIS AGREEMENT.
- (c) To the maximum extent permitted by law, Executive covenants not to sue or to institute or cause to be instituted any action in any federal, state, or local agency or court against any of the Released Parties, including, but not limited to, any of the claims released this Agreement. Notwithstanding the foregoing, nothing herein shall prevent Executive or any of the Released Parties from filing a charge with an administrative agency, from instituting any action required to enforce the terms of this Agreement, or from challenging the validity of this Agreement. In addition, nothing herein shall be construed to prevent Executive from enforcing any rights Executive may have to recover vested benefits under the Employee Retirement Income Security Act of 1974, as amended.

- (d) Executive represents and warrants that: (i) Executive has not filed or initiated any legal, equitable, administrative, or other proceeding(s) against any of the Released Parties; (ii) no such proceeding(s) have been initiated against any of the Released Parties on Executive's behalf; (iii) Executive is the sole owner of the actual or alleged claims, demands, rights, causes of action, and other matters that are released in this paragraph 10; (iv) the same have not been transferred or assigned or caused to be transferred or assigned to any other person, firm, corporation or other legal entity; and (v) Executive has the full right and power to grant, execute, and deliver the releases, undertakings, and agreements contained in this Agreement.
- (e) The consideration offered herein is accepted by Executive as being in full accord, satisfaction, compromise and settlement of any and all claims or potential claims, and Executive expressly agrees that Executive is not entitled to and shall not receive any further payments, benefits, or other compensation or recovery of any kind from Company or any of the other Released Parties. Executive further agrees that in the event of any further proceedings whatsoever based upon any matter released herein, Company and each of the other Released Parties shall have no further monetary or other obligation of any kind to Executive, including without limitation any obligation for any costs, expenses and attorneys' fees incurred by or on behalf of Executive.

11. **Executive's Understanding.** Executive acknowledges by signing this Agreement that Executive has read and understands this document, that Executive has conferred with or had opportunity to confer with Executive's attorney regarding the terms and meaning of this Agreement, that Executive has had sufficient time to consider the terms provided for in this Agreement, that no representations or inducements have been made to Executive except as set forth in this Agreement, and that Executive has signed the same KNOWINGLY AND VOLUNTARILY.

12. **Non-Reliance.** Executive represents to Company and Company represents to Executive that in executing this Agreement they do not rely and have not relied upon any representation or statement not set forth herein made by the other or by any of the other's agents, representatives or attorneys with regard to the subject matter, basis or effect of this Agreement, or otherwise.

13. **Severability of Provisions.** In the event that any one or more of the provisions of this Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby. Moreover, if any one or more of the provisions contained in this Agreement are held to be excessively broad as to duration, scope, activity or subject, such provisions will be construed by limiting and reducing them so as to be enforceable to the maximum extent compatible with applicable law.

14. **Non-Admission of Liability.** Executive agrees that neither this Agreement nor the performance by the parties hereunder constitutes an admission by any of the Released Parties of any violation of any federal, state, or local law, regulation, common law, breach of any contract, or any other wrongdoing of any type.

15. **Assignability.** The rights and benefits under this Agreement are personal to Executive and such rights and benefits shall not be subject to assignment, alienation or transfer, except to the extent such rights and benefits are lawfully available to the estate or beneficiaries of

Executive upon death. Company may assign this Agreement to any parent, affiliate or subsidiary or any entity which at any time whether by merger, purchase, or otherwise acquires all or substantially all of the assets, stock or business of Company.

16. **Choice of Law.** This Agreement shall be constructed and interpreted in accordance with the internal laws of the State of North Carolina without regard to any state's conflict of law principles.

17. **Entire Agreement.** This Agreement, together with the Change in Control Agreement, sets forth all the terms and conditions with respect to compensation, remuneration of payments and benefits due Executive from Company and supersedes and replaces any and all other agreements or understandings Executive may have or may have had with respect thereto. This Agreement may not be modified or amended except in writing and signed by both Executive and an authorized representative of Company.

18. **Notice.** Any notice to be given hereunder shall be in writing and shall be deemed given when mailed by certified mail, return receipt requested, addressed as follows:

To Executive at:

[add address]

To the Company at:

Hanesbrands Inc.
Attention: General Counsel
1000 East Hanes Mill Road
Winston-Salem, NC 27105

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

EXECUTIVE: _____

Signature: _____

HANESBRANDS INC.

By: _____

Title: _____

Exhibit B

Schedule of Parties to Severance/Change in Control Agreement

<u>Name</u>	<u>Date of Agreement</u>
Michael E. Faircloth	August 21, 2013
Barry A. Hytinen	October 16, 2017
Jonathan Ram	May 21, 2018

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

I, Gerald W. Evans, 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/ Gerald W. Evans, Jr.

Gerald W. Evans, Jr.
Chief Executive Officer

Date: August 1, 2018

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

I, Barry A. Hytinen, 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/ Barry A. Hytinen

Barry A. Hytinen
Chief Financial Officer

Date: August 1, 2018

**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 June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gerald W. Evans, Jr., 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/ Gerald W. Evans, Jr.

Gerald W. Evans, Jr.
Chief Executive Officer

Date: August 1, 2018

The foregoing certification is being furnished to accompany Hanesbrands Inc.’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018 (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.

**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 June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Barry A. Hytinen, 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/ Barry A. Hytinen

Barry A. Hytinen
Chief Financial Officer

Date: August 1, 2018

The foregoing certification is being furnished to accompany Hanesbrands Inc.’s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018 (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.