Hanesbrands Inc.
Form 10-K
February 05, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended January 2, 2016

or

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

For the transition period from to

Commission file number: 001-32891

Hanesbrands Inc.

(Exact name of registrant as specified in its charter)

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

(336) 519-8080

(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 per share

Name of each exchange on which registered:

New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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 x No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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

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

As of July 2, 2015, the aggregate market value of the registrant's common stock held by non-affiliates was approximately $13,577,320,340 (based on the closing price of the common stock of $33.96 per share on that date, as reported on the New York Stock Exchange and, for purposes of this computation only, the assumption that all of the registrant's directors and executive officers are affiliates and that beneficial holders of 5% or more of the outstanding common stock are not affiliates).

As of February 2, 2016, there were 391,670,911 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference to portions of the registrant's proxy statement for its 2016 annual meeting of stockholders.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains information that may constitute "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 (the "Exchange Act"). 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," "int "anticipate," "plan," "continue" or similar expressions. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements regarding our intent, belief and current expectations about our strategic direction, prospects and future results are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described under "Risk Factors" and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission ("SEC").

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 website 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 copies of materials we file with, or furnish to, the SEC free of charge at www.Hanes.com/investors (in the "Investors" section). 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 Annual Report on Form 10-K.

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PART I

Item 1. Business

Company Overview

Hanesbrands Inc., a Maryland corporation (collectively with its subsidiaries, "Hanesbrands," "we," "us," "our" or the "Company"), is a socially responsible manufacturer and marketer of leading everyday basic apparel under some of the world's strongest apparel brands, including Hanes, Champion, Maidenform, DIM, Playtex, Bali, JMS/Just My Size, Nur Die/Nur Der, L'eggs, Lovable, Wonderbra, Flexees, Lilyette and Gear for Sports.

We sell bras, panties, shapewear, hosiery, men's underwear, children's underwear, socks, T-shirts and other activewear in the Americas, Asia, Australia and Europe. In the United States, we sell more units of intimate apparel, male underwear and children's underwear than any other company. Unlike most apparel companies, Hanesbrands primarily operates its own manufacturing facilities. More than 80 percent of the apparel units that we sell in the United States are manufactured in our own plants or those of dedicated contractors.

We have a long history of innovation, product excellence and brand recognition. In fact, more than 80 percent of U.S. households have our products in them. We revolutionized Tagless T-shirts and underwear, we invented the sports bra, we were the first to advertise a bra on national television (Playtex). We are now using our Innovate-to-Elevate strategy to integrate our brand superiority, industry-leading innovation and low-cost global supply chain to provide higher valued products while lowering production costs. Our Tagless apparel platform, ComfortFlex Fit bra platform, ComfortBlend fabric platform and temperature-control X-Temp fabric platform incorporate big-idea innovation to span brands, product categories, business segments, retailer and distribution channels and geographies.

Founded in 1901, we were organized as a Maryland corporation in 2005 and spun off from Sara Lee Corporation in 2006, at which time we became an independent, publicly-traded corporation. Since then, we have used strategic acquisitions to expand our brand portfolio. In November 2010, we expanded our activewear portfolio through the acquisition of GearCo, Inc., known as Gear for Sports, a leading seller of licensed logo apparel in collegiate bookstores and other channels. In October 2013, we acquired Maidenform Brands Inc., a global intimate apparel company, including the brands Maidenform, Flexees and Lilyette. We acquired another portfolio of strong brands including DIM, Nur Die/Nur Der, Lovable, Shock Absorber and Abanderado through the August 2014 acquisition of DBA Lux Holding S.A. ("Hanes Europe Innerwear"), a leading marketer of intimate apparel, hosiery and underwear in Europe. Most recently, in April 2015, we acquired Knights Holdco, Inc. ("Knights Apparel"), a leading seller of licensed collegiate logo apparel primarily in the mass retail channel. We believe these acquisitions will create growth and cost savings opportunities and increased scale to serve retailers.

We take great pride in our strong reputation for ethical business practices and the success of our Hanes for Good corporate responsibility program for community and environmental improvement. Hanesbrands was a U.S. Environmental Protection Agency Energy Star Sustained Excellence Award winner for 2012-2015 and Partner of the Year winner in 2010 and 2011. We have significant goals for reducing our energy use, carbon emissions and water use and publicly report our progress. We are also a recognized leader for our community-building, philanthropy and workplace practices. More information about our Hanes for Good corporate responsibility initiatives may be found at www.HanesForGood.com.

Our fiscal year ends on the Saturday closest to December 31. All references to "2015", "2014" and "2013" relate to the 52 week fiscal year ended on January 2, 2016, the 53 week fiscal year ended on January 3, 2015, and the 52 week fiscal year ended on December 28, 2013, respectively. A significant subsidiary of ours, DBA Lux Holding S.A. ("Hanes Europe Innerwear"), had a 53 week fiscal year ended on January 2, 2016 as a result of aligning Hanes Europe Innerwear's year end with ours in the year after acquisition. The difference in reporting one additional week of financial information for Hanes Europe Innerwear did not have a material impact on our financial condition, results of operations or cash flows.

Our Brands

Our portfolio of leading brands is designed to address the needs and wants of various consumer segments across a broad range of basic apparel products. Our brands hold either the number one or number two U.S. market position by

units sold in most product categories in which we compete. Each of our brands has a unique consumer positioning that distinguishes it from its competitors and guides its advertising and product development. We discuss some of our most important brands in more detail below.

Hanes is the largest and most widely recognized brand in our portfolio. Hanes is the number one brand of total apparel in the U.S. and is found in eight out of 10 U.S. households. The Hanes brand covers all of our product categories, including men’s, women’s and children’s underwear, bras, socks, T-shirts, fleece, shapewear and sheer hosiery. Hanes stands for outstanding comfort, style and value.

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Champion is our second-largest brand. For nearly 100 years, Champion has been outfitting athletes in authentic, high-quality athletic apparel, including high-performance sports bras, team uniforms and gym essentials like classic T-shirts, mesh shorts and fleece hoodies. An industry leader in quality, design and performance innovation, Champion provides athletes with mobility, durability and up-to-date styles - in and out of the gym, on and off the field. Champion has also collaborated on premium apparel items through an exclusive collection with Todd Snyder, a limited edition men's apparel line for Urban Outfitters and custom specialty items for Supreme. In addition, we distribute a full line of men's, women's and children's C9 by Champion products exclusively through Target Corporation ("Target") stores.

Our brand portfolio also includes a number of iconic intimate apparel brands: Bali offers a range of bras, panties and shapewear sold in the department store channel and is the number one bra brand in department stores. Playtex is America's number one plus-size bra brand. Playtex offers superior fit and support for women of all sizes and is sold everywhere from mass merchandise retailers to department stores. DIM is a flagship European brand and a market leader in women's underwear, hosiery and intimate apparel in France. Maidenform is the number one shapewear brand in America and has been trusted for modern, sensual style in bras, panties and shapewear since 1922.

In addition, we offer a variety of products under the following well-known brands: JMS/Just My Size, Nur Die/Nur Der, L'eggs, Wonderbra, Gear for Sports, Lilyette and Loveable.

These brands serve to round out our product offerings, allowing us to give consumers a variety of options to meet their diverse needs.

Our Segments

Our operations are managed and reported in four operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Activewear, Direct to Consumer and International. These segments are organized principally by product category, geographic location or distribution channel. Each segment has its own management that is responsible for the operations of the segment's businesses, but the segments share a common supply chain and media and marketing platforms.

The following table summarizes our operating segments by product category:

Segment	Primary Products	Primary Brands
Innerwear	Intimate apparel, such as bras and shapewear	Maidenform, Bali, Playtex, Hanes, JMS/Just My Size, Lilyette, Wonderbra, Donna Karan,* DKNY*
	Men's underwear, women's panties, children's underwear and socks	Hanes, Champion, Maidenform, Bali and Polo Ralph Lauren*
	Hosiery	L'eggs, Hanes, Maidenform, JMS/Just My Size, Donna Karan,* DKNY*
Activewear	T-shirts, fleece, sport shirts, performance T-shirts and shorts, sports bras and thermals	Champion, Hanes, JMS/Just My Size, Hanes Beefy-T, Gear for Sports, Duofold
Direct to Consumer	Activewear, men's underwear, children's underwear, intimate apparel, socks and hosiery	Hanes, Bali, Maidenform, Champion, Playtex, Lilyette, JMS/Just My Size, L'eggs
International	Activewear, men's underwear, children's underwear, intimate apparel, socks and hosiery	DIM, Playtex, Hanes, Champion, Nur Die/Nur Der, Lovable, Wonderbra, Maidenform, Shock Absorber, Abanderado, Zorba, Rinbros, Kendall,* Sol y Oro, Polo Ralph Lauren,* Fila,* Bellinda, Edoo, Track N

Field, Donna Karan,* DKNY*

* Brand used under a license agreement.

Financial information regarding Hanesbrands' segments is included in Note "Business Segment Information," to our financial statements included in this Annual Report on Form 10-K.

Innerwear

The Innerwear segment focuses on core apparel products, such as intimate apparel, men's underwear, panties, children's underwear, socks and hosiery marketed under well-known brands that are trusted by consumers. We are the intimate apparel category leader in the United States with our Hanes, Maidenform, Bali, Playtex, JMS/Just My Size, L'eggs, Wonderbra, Lilyette, Donna Karan and DKNY brands, and we are also the leading manufacturer and marketer of men's underwear and

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children's underwear in the United States under the Hanes, Champion and Polo Ralph Lauren brands and women's sheer hosiery under the L'eggs, Hanes, Maidenform, JMS/Just My Size, Donna Karan and DKNY brands. During 2015, net sales from our Innerwear segment were $2.6 billion, representing approximately 46% of total net sales.

Activewear

We are a leader in the activewear market through our Champion, Hanes, JMS/Just My Size and Duofold brands, where we sell products such as T-shirts and fleece to both retailers and wholesalers. In addition to activewear for men and women, Champion provides uniforms for athletic programs and includes an apparel program, C9 by Champion, at Target stores. We also license our Champion name for footwear and sports accessories. In our branded printwear category, we supply our T-shirts, sport shirts and fleece products, including brands such as Hanes, Champion and Hanes Beefy-T, to customers, primarily wholesalers, who then resell to screen printers and embellishers. We also sell licensed logo apparel in the mass retail channel and in collegiate bookstores and other channels under our Gear for Sports and Champion brands. We also sell licensed collegiate logo apparel primarily in the mass retail channel under our Knights Apparel brand. We also offer a range of quality, comfortable clothing for men, women and children marketed under the Hanes and JMS/Just My Size brands. The JMS/Just My Size brand offers casual apparel designed exclusively to meet the needs of plus-size women. During 2015, net sales from our Activewear segment were $1.6 billion, representing approximately 27% of total net sales.

Direct to Consumer

Our Direct to Consumer operations include our domestic Company-operated outlet stores and website operations that sell our branded products directly to consumers in the United States. As of January 2, 2016, we had 252 outlet stores in the United States and operated websites under the Hanes, One Hanes Place, JMS/Just My Size, Champion and Maidenform names. During 2015, net sales from our Direct to Consumer segment were $388 million, representing approximately 7% of total net sales.

International

Our International segment includes products that span across the Innerwear and Activewear reportable segments and are primarily marketed under the DIM, Playtex, Hanes, Champion, Nur Die/Nur Der, Loveable, Wonderbra, Maidenform, Shock Absorber, Abanderado, Zorba, Rinbros, Kendall, Sol y Oro, Lilyette, Polo Ralph Lauren, Fila, Bellinda, Edoo, Track N Field, Ritmo, Donna Karan and DKNY brands. Our Innerwear brands are market leaders across Western and Central Europe. In the intimate apparel category, we hold the number one market share in France and Spain and the number two market share in Italy. We are also the category leader in men's underwear in France and Spain, and in hosiery in France and Germany. During 2015, net sales from our International segment were $1.1 billion, representing approximately 20% of total net sales and included sales in Europe, Asia, Latin America, Canada, Australia, the Middle East, Africa and the Caribbean. Our largest international markets are Europe, Japan, Canada, Mexico, Brazil and Australia.

Customers and Distribution Channels

In 2015, approximately 80% of our net sales were to customers in the United States and approximately 20% were to customers outside the United States. Domestically, almost 87% of our net sales were wholesale sales to retailers, 9% were direct to consumers and 4% were wholesale sales to wholesalers and third party embellishers. We have well-established relationships with some of the largest apparel retailers in the world. Our largest customers are Wal-Mart Stores, Inc. ("Wal-Mart"), Target and Kohl's Corporation ("Kohl's"), accounting for 23%, 15% and 5%, respectively, of our total net sales in 2015. As is common in the basic apparel industry, we generally do not have purchase agreements that obligate our customers to purchase our products. However, all of our key customer relationships have been in place for 10 years or more. Wal-Mart and Target are our only customers with sales that exceed 10% of any individual segment's sales. In our Innerwear segment, Wal-Mart accounted for 35% of net sales and Target accounted for 17% of net sales during 2015. In our Activewear segment, Target accounted for 28% of net sales and Wal-Mart accounted for 21% of net sales.

Sales to the mass merchant channel in the United States accounted for approximately 49% of our net sales in 2015. We sell all of our product categories in this channel, including our Hanes, Champion, Playtex, Maidenform and JMS/Just My Size brands, as well as licensed logo apparel. Mass merchants feature high-volume, low-cost sales of

basic apparel items along with a diverse variety of consumer goods products, such as grocery and drug products and other hard lines, and are characterized by large retailers, such as Wal-Mart and Target. Our largest mass merchant customer is Wal-Mart, which accounted for approximately 23% of our total net sales in 2015.

Sales to the mid-tier and department stores channel in the United States accounted for approximately 15% of our net sales in 2015. Mid-tier stores target a higher-income consumer than mass merchants, focus more of their sales on apparel items rather than other consumer goods such as grocery and drug products and are characterized by large retailers such as Kohl's, J.C. Penney Company, Inc. and Sears Holdings Corporation. We sell all of our product categories in this channel. Traditional department stores target higher-income consumers and carry more high-end, fashion conscious products than mid-tier stores or

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mass merchants and tend to operate in higher-income areas and commercial centers. Traditional department stores are characterized by large retailers such as Macy's, Inc. and Belk, Inc. We sell products in our intimate apparel, underwear, socks, hosiery and activewear categories through department stores. We also sell products in the e-commerce environment through our owned e-commerce websites and through e-commerce retailers such as Amazon.

Sales in our Direct to Consumer segment accounted for approximately 7% of our net sales in 2015. We sell our branded products directly to consumers through our 252 domestic outlet stores, as well as our websites operating under the Hanes, One Hanes Place, JMS/Just My Size, Champion and Maidenform names. Our outlet stores are value-based, offering the consumer a savings of 25% to 40% off suggested retail prices, and sell first-quality, excess, post-season, obsolete and slightly imperfect products. Our websites, supported by emails, address the growing e-commerce channel that characterizes today's 24/7 retail environment. Our websites recorded 36 million user sessions in 2015, with 8 million consumers receiving our emails.

Sales in our International segment represented approximately 20% of our net sales in 2015, and included sales in Europe, Asia, Latin America, Canada, Australia, the Middle East, Africa and the Caribbean. Our largest international markets are Europe, Japan, Canada, Mexico, Brazil and Australia. We also have offices in each of these markets, as well as the Philippines, Thailand, Argentina, South Africa and Central America. Internationally, the majority of our net sales were wholesale sales to retailers. For more information about our sales on a geographic basis, see Note, "Geographic Area Information," to our financial statements.

Sales in other channels in the United States represented approximately 9% of our net sales in 2015. We sell T-shirts, golf and sport shirts and fleece sweatshirts to wholesalers and third party embellishers primarily under our Hanes, Champion and Hanes Beefy-T brands. We also sell a significant range of our underwear, activewear and socks products under the Champion brand to wholesale clubs, such as Costco Wholesale Corporation, and sporting goods stores, such as The Sports Authority, Inc. We sell primarily legwear and underwear products under the Hanes and L'eggs brands to food, drug and variety stores. We also sell licensed logo apparel in collegiate bookstores. We sell products that span across our Innerwear and Activewear segments to the U.S. military for sale to servicemen and servicewomen and through discount retailers, such as the Dollar General Corporation and Family Dollar Stores, Inc.

Manufacturing, Sourcing and Distribution

During 2015, approximately 65% of our cost of sales were from finished goods manufactured through a combination of facilities we own and operate and facilities owned and operated by third party contractors who perform some of the steps in the manufacturing process for us, such as cutting and/or sewing. We sourced the remainder of our finished goods from third party manufacturers who supply us with finished products based on our designs. In making decisions about the location of manufacturing operations and third party sources of supply, we consider a number of factors, including labor, local operating costs, quality, regional infrastructure, applicable quotas and duties and freight costs. We believe that our balanced approach to product supply, which relies on a combination of owned, contracted and sourced manufacturing located across different geographic regions, increases the efficiency of our operations, reduces product costs and offers customers a reliable source of supply.

Finished Goods That Are Manufactured by Hanesbrands

The manufacturing process for the finished goods that we manufacture begins with raw materials we obtain from suppliers. The principal raw materials in our product categories are cotton and synthetics. Cotton and synthetic materials are typically spun into yarn, which is then knitted into cotton, synthetic and blended fabrics. We source all of our yarn requirements from large-scale domestic and international suppliers. To a lesser extent, we purchase fabric from several domestic and international suppliers in conjunction with scheduled production. In addition to cotton yarn and cotton-based textiles, we use thread, narrow elastic and trim for product identification, buttons, zippers, snaps and lace. These fabrics are cut and sewn into finished products, either by us or by third party contractors. We currently operate 47 manufacturing facilities. Most of our cutting and sewing operations are strategically located in Asia, Central America and the Caribbean Basin. Alternate sources of these materials and services are readily available.

Finished Goods That Are Manufactured by Third Parties

In addition to our manufacturing capabilities, we also source finished goods we design from third-party manufacturers, also referred to as "turnkey products." Many of these turnkey products are sourced from international

suppliers by our strategic sourcing hubs in Asia.

All contracted and sourced manufacturing must meet our high quality standards. Further, all contractors and third-party manufacturers must be preaudited and adhere to our strict supplier and business practices guidelines. These requirements provide strict standards that, among other things, cover hours of work, age of workers, health and safety conditions and conformity with local laws and Hanesbrands' standards. Each new supplier must be inspected and agree to comprehensive

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compliance terms prior to performance of any production on our behalf. We audit compliance with these standards and maintain strict compliance performance records. In addition to our audit procedures, many of our suppliers are certified by the Worldwide Responsible Accredited Production, or "WRAP," program. WRAP uses third-party, independent audit firms and requires factory-by-factory certification. We are also a fully accredited participating company in the Fair Labor Association.

Distribution

As of January 2, 2016, we distributed our products from 37 distribution centers. These facilities include 16 facilities located in the United States and 21 facilities located outside the United States in regions where we manufacture our products. We internally manage and operate 26 of these facilities, and we use third party logistics providers who operate the other 11 facilities on our behalf. International distribution operations use a combination of third party logistics providers, as well as owned and operated distribution operations, to distribute goods to our various international markets.

Inventory

Effective inventory management is a key component of our future success. Because our customers generally do not purchase our products under long-term supply contracts, but rather on a purchase order basis, effective inventory management requires close coordination with the customer base. We seek to ensure that products are available to meet customer demands while effectively managing inventory levels. We employ various types of inventory management techniques that include collaborative forecasting and planning, supplier-managed inventory, key event management and various forms of replenishment management processes. Our supplier-managed inventory initiative is intended to shift raw material ownership and management to our suppliers until consumption, freeing up cash and improving response time. We have demand management planners in our customer management group who work closely with customers to develop demand forecasts that are passed to the supply chain. We also have professionals within the customer management group who coordinate daily with our larger customers to help ensure that our customers' planned inventory levels are in fact available at their individual retail outlets. Additionally, within our supply chain organization we have dedicated professionals who translate the demand forecast into our inventory strategy and specific production plans. These individuals work closely with our customer management team to balance inventory investment/exposure with customer service targets.

Seasonality and Other Factors

Our operating results are subject to some variability due to seasonality and other factors. For instance, 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. Our diverse range of product offerings, however, provides some mitigation to the impact of seasonal changes in demand for certain items. Sales levels in any period are also impacted by customers' decisions to increase or decrease their inventory levels in response to anticipated consumer demand. Our customers may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice to us. Media, advertising and promotion expenses may vary from period to period during a fiscal year depending on the timing of our advertising campaigns for retail selling seasons and product introductions.

Product Innovation and Marketing

A significant component of our margin-enhancing Innovate-to-Elevate strategy is our strong product research and development and innovation capabilities. From 2013 to 2015, we spent nearly $177 million on design, research and product development, including the development of new and improved products.

We use a disciplined, consumer-driven approach to direct our product innovation and marketing efforts. We seek to identify relevant consumer insights and long-term megatrends that will impact our product categories over the next five to 10 years. We focus our innovation efforts on big-idea platforms that span brands, product categories, business segments, distribution channels and geographies. In addition, we concentrate on margin accretive product innovations where we can leverage our supply chain in order to drive further economies of scale. Examples of our product innovation platforms include:

- Tagless: Over a decade ago, we launched Hanes Tagless Tees that deliver superior softness without the itch and irritation of a tag. In 2012, our consumer-driven innovation process led us to expand this platform to the male

underwear bottom category where research indicated that itchy tags were the number two consumer complaint. The Tagless platform also taps into the power of our supply chain, generating significant cost savings and allowing us to expand gross margins.

- ComfortBlend: ComfortBlend, our fabric innovation that combines cotton and synthetic yarns for products that are softer, shrink less and dry faster, is an outgrowth of the performance fabric megatrend. In developing ComfortBlend, we worked through each step of the big idea process, testing the concept, the product and the advertising. We

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introduced Hanes men's ComfortBlend underwear in 2012 with exceptional results and have now expanded this platform to socks, children's underwear and panties.

- ComfortFlex Fit: Our ComfortFlex Fit platform is another example of our consumer-driven innovation process, where research indicated the two most significant consumer complaints in the bra category were that the consumer could not find the right size and that the consumer could not find a comfortable bra. ComfortFlex Fit effectively addresses both concerns by combining a simplified shopping system that eliminates the complicated cup-and-band combinations of traditional bra sizing systems with a more comfortable, flexible fit. We have successfully leveraged the ComfortFlex Fit platform across our Hanes, Champion, Playtex, Bali, and JMS/Just My Size brands where it is driving incremental purchases in a category where consumers typically buy only a little over three bras per year.
- X-Temp: X-Temp is our newest platform and brings a new level of technology and comfort to basic apparel. Hanes and Champion X-Temp garments are designed to keep consumers cooler and drier by increasing the rate of evaporation when body temperature rises and reducing the rate of evaporation as body temperature cools. The X-Temp platform was successfully introduced in Hanes men's underwear and men's socks in 2013 and expanded to women's socks, panties, bras, legwear, base layer and children's underwear and socks in 2014. Champion Vapor with X-Temp technology was introduced in men's and women's activewear in 2013 and expanded to team practicewear and branded printwear in 2014.

Driving innovation platforms across categories is a major element of our Innovate-to-Elevate strategy as it enables us to meet key consumer needs and leverage advertising dollars. We believe that the strength of our consumer insights, our distinctive brand propositions and our focus on integrated marketing give us a competitive advantage in the fragmented apparel marketplace. Effectively marketing these innovations also accrues benefits back to our supply chain. Driving higher volume helps us to leverage scale and drive costs down even further, increasing margins while funding additional marketing support for our brands and products so we can continue to reinvest in product innovation.

In 2015, our broad-reach marketing efforts included:

- National advertising for our flagship Hanes brand starring Michael Jordan highlighting our Hanes Tagless tees and underwear;
- A cross-category, multi-media Hanes advertising campaign designed to build awareness of our revolutionary X-Temp cooling technology;
- Television and social media advertising featuring our ComfortFlex Fit bras by Hanes and Bali; and
- Continued advertising support for our Champion brand, highlighting the new Absolute Sports Bra with SmoothTec band and our Champion Vapor fast-dying performance apparel.

Competition

The basic apparel market is highly competitive and rapidly evolving. Competition generally is based upon brand, comfort, fit, style and price. Our businesses face competition today from other large corporations and foreign manufacturers. Fruit of the Loom, Inc., a subsidiary of Berkshire Hathaway Inc., competes with us across most of our segments through its own offerings and those of its Russell Corporation and Vanity Fair Intimates offerings. Other competitors in our Innerwear segment include Limited Brands, Inc.'s Victoria's Secret brand and Jockey International, Inc. Other competitors in our Activewear segment include various private label and controlled brands sold by many of our customers, as well as Gildan Activewear, Inc. and Gap Inc. Large European intimate apparel distributors such as Triumph International and Calzedonia S.p.A Group compete with us in our International segment. We also compete with many small manufacturers across all of our business segments, including our International segment. Additionally, department stores and other retailers, including many of our customers, market and sell basic apparel products under private labels that compete directly with our brands. Our competitive strengths include our strong brands with leading market positions, our high-volume, core products focus, our significant scale of operations, our global supply chain and our strong customer relationships. We continually strive to improve in each of these areas.

Intellectual Property

We market our products under hundreds of trademarks and service marks in the United States and other countries around the world, the most widely recognized of which are Hanes, Champion, C9 by Champion, Maidenform,

Playtex, Bali, DIM, JMS/Just My Size, L’eggs, Duofold, Nur Die/Nur Der, Wonderbra, Gear for Sports, Lilyette, Lovable, Rinbros, Shock Absorber, Abanderado and Zorba. Some of our products are sold under trademarks that have been licensed from third parties, such as Polo Ralph Lauren men’s underwear and Donna Karan and DKNY intimate apparel.

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Some of our own trademarks are licensed to third parties, such as Champion for athletic-oriented accessories. In the United States and Canada, the Playtex trademark is owned by Playtex Marketing Corporation, of which we own a 50% interest and which grants to us a perpetual royalty-free license to the Playtex trademark on and in connection with the sale of apparel in the United States and Canada. The other 50% interest in Playtex Marketing Corporation is owned by Playtex Products, LLC, an unrelated third party, whose affiliate, Edgewell Personal Care Brands, LLC, has a perpetual royalty-free license to the Playtex trademark on and in connection with the sale of non-apparel products in the United States and Canada. Outside the United States and Canada, we own the Playtex trademark and perpetually license such trademark to Edgewell Personal Care Brands, LLC for non-apparel products. Our trademarks are important to our marketing efforts and have substantial value. We aggressively protect these trademarks from infringement and dilution through appropriate measures, including court actions and administrative proceedings. Although the laws vary by jurisdiction, trademarks generally remain valid as long as they are in use and/or their registrations are properly maintained. Most of the trademarks in our portfolio, including our core brands, are covered by trademark registrations in the countries of the world in which we do business, in addition to many other jurisdictions around the world, with a registration period of 10 years in most countries. Generally, trademark registrations can be renewed indefinitely as long as the trademarks are in use. We have an active program designed to ensure that our trademarks are registered, renewed, protected and maintained. We plan to continue to use all of our core trademarks and plan to renew the registrations for such trademarks as needed. We also own a number of copyrights.

Most of our copyrights are unregistered, although we have a sizable portfolio of copyrighted lace designs that are the subject of a number of registrations at the U.S. Copyright Office.

We place high importance on product innovation and design, and a number of these innovations and designs are the subject of patents. However, we do not regard any segment of our business as being dependent upon any single patent or group of related patents. In addition, we own proprietary trade secrets, technology and know-how that we have not patented.

Geographic Financial Summary

For a summary of our operations by geographic area for each of the three most recent fiscal years, including revenues from external customers and long-lived assets, see Note, “Geographic Area Information,” to our financial statements included in this Annual Report on Form 10-K.

Governmental Regulation and Environmental Matters

We are subject to U.S. federal, state and local laws and regulations that could affect our business, including those promulgated under the Occupational Safety and Health Act, the Consumer Product Safety Act, the Flammable Fabrics Act, the Textile Fiber Product Identification Act, the rules and regulations of the Consumer Products Safety Commission and various environmental laws and regulations. Some of our international businesses are subject to similar laws and regulations in the countries in which they operate. Our operations also are subject to various international trade agreements and regulations. While we believe that we are in compliance in all material respects with all applicable governmental regulations, current governmental regulations may change or become more stringent or unforeseen events may occur, any of which could have a material adverse effect on our financial position or results of operations.

We are subject to various federal, state, local and foreign laws and regulations that govern our activities, operations and products that may have adverse environmental and health and safety effects, including laws and regulations relating to generating emissions, water discharges, waste, product and packaging content and workplace safety. Noncompliance with these laws and regulations may result in substantial monetary penalties and criminal sanctions. We are aware of hazardous substances or petroleum releases at certain of our facilities and are working with the relevant environmental authorities to investigate and address such releases. We also have been identified as a “potentially responsible party” at certain waste disposal sites undergoing investigation and cleanup under the federal Comprehensive Environmental Response, Compensation and Liability Act (commonly known as Superfund) or state Superfund equivalent programs. Where we have determined that a liability has been incurred and the amount of the loss can reasonably be estimated, we have accrued amounts in our balance sheet for losses related to these sites.

Compliance with environmental laws and regulations and our remedial environmental obligations historically have not had a material impact on our operations, and we are not aware of any proposed regulations or remedial obligations that could trigger significant costs or capital expenditures in connection with such compliance.

Corporate Social Responsibility

Hanesbrands conducts business around the world in a highly ethical manner. We are protective of our strong reputation for corporate citizenship and social responsibility and proud of our significant achievements in the areas of environmental stewardship, workplace quality and community building.

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We call our corporate social responsibility program “Hanes for Good” because adhering to responsible and sustainable business practices is good for our company, good for our employees, good for our communities and good for our investors. We own the majority of our supply chain and have more direct control over how we do business than many of our competitors. In fact, more than 80% of the apparel we sell in the United States is produced in facilities that we operate or control. We also have an industry-leading compliance program that helps to ensure our business partners live up to the high standards that we set for ourselves.

We have been recognized for our socially responsible business practices by such organizations as the U.S. Environmental Protection Agency Energy Star program, corporate responsibility advocate As You Sow, social compliance rating group Free2Work, the United Way and others. We are members of the Fair Labor Association, Sustainable Apparel Coalition, The Sustainability Consortium and Corporate Eco Forum.

We have made significant progress across a range of corporate social responsibility issues, but we recognize that there is always room for improvement. We pride ourselves on listening to others outside our company and reacting quickly and responsibly if issues emerge. We hope to continue making a positive and lasting contribution to our world in the years to come. More information about our Hanes for Good corporate responsibility initiatives may be found at www.HanesForGood.com.

Employees

As of January 2, 2016, we had approximately 65,300 employees, approximately 7,700 of whom were located in the United States. As of January 2, 2016, approximately 30 employees in the United States were covered by collective bargaining agreements. A significant portion of our employees based in foreign countries are represented by works councils or unions or subject to trade-sponsored or governmental agreements. We believe our relationships with our employees are good.

Item 1A. Risk Factors

This section describes circumstances or events that could have a negative effect on our financial results or operations or that could change, for the worse, existing trends in our businesses. The occurrence of one or more of the circumstances or events described below could have a material adverse effect on our financial condition, results of operations and cash flows or on the trading prices of our common stock. The risks and uncertainties described in this Annual Report on Form 10-K are not the only ones facing us. Additional risks and uncertainties that currently are not known to us or that we currently believe are immaterial also may adversely affect our businesses and operations.

Our ability to successfully integrate acquired businesses could impact our financial results.

As a leading branded apparel company, we expect to continue pursuing strategic acquisitions as part of our long-term business strategy, such as our recent acquisition of Knights Apparel. Difficulties may arise in the integration of the business and operations of businesses that we acquire and, as a result, we may not be able to achieve the cost savings and synergies that we expect will result from such transactions. Achieving cost savings is dependent on consolidating certain operational and functional areas, eliminating duplicative positions and terminating certain agreements for outside services. Additional operational savings are dependent upon the conversion of core operating systems, data systems and products and the standardization of business practices. Complications or difficulties in the conversion of core operating systems, data systems and products may result in the loss of customers, operational problems, one-time costs currently not anticipated or reduced cost savings resulting from such acquisitions. Annual cost savings in each such transaction may be materially less than anticipated if the closing of the acquisition is delayed unexpectedly, the integration of operations is delayed beyond what is anticipated or the conversion to a single set of data systems is not accomplished on a timely basis.

Acquired businesses may not achieve expected results of operations, including expected levels of revenues, and may require unanticipated costs and expenditures. In addition, following completion of an acquisition, we may not be able to maintain the levels of revenue, earnings or operating efficiency that we and the acquired business have achieved or might achieve separately. Acquired businesses may also subject us to liabilities that we were unable to discover in the course of our due diligence, and our rights to indemnification from the sellers of such other businesses, even if obtained, may not be sufficient to offset the relevant liabilities. In addition, the integration of newly acquired

businesses may be expensive and time-consuming and may not be entirely successful. Integration of the acquired businesses may also place additional pressures on our systems of internal control over financial reporting. The process of integrating the operations of acquired businesses could cause an interruption of, or loss of momentum in, the activities of one or more of our combined businesses and the possible loss of key personnel. If we are unable to successfully integrate any newly acquired business or if the acquired businesses fail to produce targeted results, it could have an adverse effect on our results of operations or financial condition.

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Any inadequacy, interruption, integration failure or security failure with respect to our information technology could harm our ability to effectively operate our business.

Our ability to effectively manage and operate our business depends significantly on information technology systems. The failure of these systems to operate effectively and support global growth and expansion, problems with integrating various data sources, challenges in transitioning to upgraded or replacement systems, difficulty in integrating new systems or systems of acquired businesses, or a breach in security of these systems could adversely impact the operations of our business.

Hackers and data thieves are increasingly sophisticated and operate large-scale and complex automated attacks. Any breach of our network may result in the loss of valuable business data, misappropriation of our consumers' or employees' personal information, or a disruption of our business, which could give rise to unwanted media attention, materially damage our customer relationships and reputation, and result in lost sales, fines or lawsuits.

Moreover, we must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data. Any failure to comply with these regulatory standards could subject us to legal and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against us by governmental entities or others, damage to our reputation and credibility, and could have a negative impact on revenues and profits.

Significant fluctuations and volatility in the price of various input costs, such as cotton and oil-related materials, utilities, freight and wages, may have a material adverse effect on our business, results of operations, financial condition and cash flows.

Inflation can have a long-term impact on us because increasing costs of materials and labor may impact our ability to maintain satisfactory margins. For example, the cost of the materials that are used in our manufacturing process, such as oil-related commodity prices and other raw materials, such as dyes and chemicals, and other costs, such as fuel, energy and utility costs, can fluctuate as a result of inflation and other factors. Similarly, a significant portion of our products are manufactured in other countries and declines in the value of the U.S. dollar may result in higher manufacturing costs. Sudden decreases in the costs for materials, including cotton, may result in the cost of inventory exceeding the cost of new production, which could result in lower profitability, particularly if these decreases result in downward price pressure. If, in the future we incur volatility in the costs for materials, including cotton, and labor that we are unable to offset through price adjustments or improved efficiencies, or if our competitors' unwillingness to follow our price changes results in downward price pressure, our business, results of operations, financial condition and cash flows may be adversely affected.

Our results of operations could be materially harmed if we are unable to manage our inventory effectively and accurately forecast demand for our products.

We are faced with the constant challenge of balancing our inventory with our ability to meet marketplace needs. Factors that could affect our ability to accurately forecast demand for our products include our ability to anticipate and respond effectively to evolving consumer preferences and trends and to translate these preferences and trends into marketable product offerings, as well as unanticipated changes in general economic conditions or other factors, which result in cancellations of orders or a reduction or increase in the rate of reorders placed by retailers.

Inventory reserves can result from the complexity of our supply chain, a long manufacturing process and the seasonal nature of certain products. We sell a large number of our products to a small number of customers, and these customers generally are not required by contract to purchase our goods. As a result, we often schedule internal production and place orders for products with third-party manufacturers before our customers' orders are firm. If we fail to accurately forecast consumer demand, we may experience excess inventory levels or a shortage of product required to meet the demand. Inventory levels in excess of consumer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could have an adverse effect on the image and reputation of our brands and negatively impact profitability. On the other hand, if we underestimate demand for our products, our manufacturing facilities or third-party manufacturers may not be able to produce products to meet consumer requirements, and this could result in delays in the shipment of products and lost revenues, as well as damage to our reputation and relationships. These risks could have a material adverse effect on our brand image as well as our results

of operations and financial condition.

Additionally, sudden decreases in the costs for materials, including cotton, may result in the cost of inventory exceeding the cost of new production; if this occurs, it could have a material adverse effect on our business, results of operations, financial condition or cash flow, particularly if we hold a large amount of excess inventory. Excess inventory charges can reduce gross margins or result in operating losses, lowered plant and equipment utilization and lowered fixed operating cost absorption, all of which could have a material adverse effect on our business, results of operations, financial condition or cash flows.

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We operate in a highly competitive and rapidly evolving market, and our market share and results of operations could be adversely affected if we fail to compete effectively in the future.

The basic apparel market is highly competitive and evolving rapidly. Competition is generally based upon brand, comfort, fit, style and price. Our businesses face competition today from other large domestic and foreign corporations and manufacturers, as well as department stores and other retailers, including many of our customers, that market and sell basic apparel products under private labels that compete directly with our brands. Also, online retail shopping is rapidly evolving, and we expect competition in the e-commerce market to intensify in the future as the Internet facilitates competitive entry and comparison shopping. Increased competition may result in a loss of or a reduction in shelf space and promotional support and reduced prices, in each case decreasing our cash flows, operating margins and profitability. Our ability to identify and capitalize on retail trends, including technology, e-commerce and other process efficiencies to gain market share and better service our customer base will, in large part, determine our future success. If we fail to compete successfully, our market share, results of operations and financial condition will be materially and adversely affected.

Our reputation, ability to do business and results of operations could be impaired by improper conduct by any of our employees, agents or business partners.

Our business is subject to federal, state, local and international laws, rules and regulations, such as state and local wage and hour laws, the U.S. Foreign Corrupt Practices Act, the False Claims Act, the Employee Retirement Income Security Act ("ERISA"), securities laws, import and export laws (including customs regulations), unclaimed property laws and many others. We cannot provide assurance our internal controls will always protect us from the improper conduct of our employees, agents and business partners. Any violations of law or improper conduct could damage our reputation and, depending on the circumstances, subject us to, among other things, civil and criminal penalties, material fines, equitable remedies (including profit disgorgement and injunctions on future conduct), securities litigation and a general loss of investor confidence, any one of which could have a material adverse impact on our business prospects, financial condition, results of operations, cash flows, and the market value of our stock.

We have a complex multinational tax structure, and changes in effective tax rates or adverse outcomes resulting from examination of our income tax returns could impact our capital deployment strategy and adversely affect our results.

We have a complex multinational tax structure with multiple types of intercompany transactions, and our allocation of profits and losses among us and our subsidiaries through our intercompany transfer pricing agreements is subject to review by the Internal Revenue Service and other tax authorities. Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations, accounting principles or interpretations thereof. In order to service our debt obligations, we may need to increase the portion of the income our foreign subsidiaries that we expect to remit to the United States, which may significantly increase our income tax expense. In addition, we are also subject to the continuous examination of our income tax returns and related transfer pricing documentation by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these continuous examinations will not have an adverse effect on our operating results and financial condition. Additionally, changes in tax laws, regulations, future jurisdictional profitability of us and our subsidiaries, and related regulatory interpretations in the countries in which we operate may impact the taxes we pay or tax provision we record, as well as our capital deployment strategy, which could adversely affect our results of operations.

Due to the extensive nature of our foreign operations, fluctuations in foreign currency exchange rates could negatively impact our results of operations.

A growing percentage of our total revenues (approximately 20% in 2015) is derived from markets outside the United States. We sell a majority of our products in transactions denominated in U.S. dollars; however, we purchase many of our raw materials, pay a portion of our wages and make other payments in our supply chain in foreign currencies. As a result, when the U.S. dollar weakens against any of these currencies, our cost of sales could increase substantially.

Outside the United States, we may pay for materials or finished products in U.S. dollars, and in some cases a strengthening of the U.S. dollar could effectively increase our costs where we use foreign currency to purchase the U.S. dollars we need to make such payments. Changes on foreign currency exchange rates could have an adverse impact on our financial condition, results of operations and cash flows.

We use foreign exchange forward contracts to hedge material exposure to adverse changes in foreign exchange rates. However, no hedging strategy can completely insulate us from foreign exchange risk. We are also exposed to gains and losses resulting from the effect that fluctuations in foreign currency exchange rates have on the reported results in our financial statements due to the translation of operating results and financial position of our foreign subsidiaries.

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Inability to access sufficient capital at reasonable rates or commercially reasonable terms or maintain sufficient liquidity in the amounts and at the times needed could adversely impact our business.

We rely on our cash flows generated from operations and the borrowing capacity under our Revolving Loan Facility and other external debt financings to meet the cash requirements of our business. We have significant capital requirements and will need continued access to debt capital from outside sources in order to efficiently fund the cash flow needs of our business and pursue strategic acquisitions.

Although we currently have available credit facilities to fund our current operating needs, we cannot be certain that we will be able to replace our existing credit facilities or refinance our existing or future debt at a reasonable cost when necessary. The ability to have continued access to reasonably priced credit is dependent upon our current and future capital structure, financial performance, our credit ratings and general economic conditions. If we are unable to access the capital markets at a reasonable economic cost, it could have an adverse effect on our results of operations or financial condition.

We are subject to certain risks as a result of our indebtedness.

Our indebtedness includes (i) a $1.0 billion revolving loan facility (the “Revolving Loan Facility”), a $725 million term loan a facility (the “Term Loan A Facility”), a $425 million term loan b facility (the “Term Loan B Facility”) and a €363 million term loan b facility (the “Euro Term Loan Facility” and together with the Term Loan A Facility and the Term Loan B Facility, the “Term Loan Facility,” and together with the Revolving Loan Facility, the “Senior Secured Credit Facility”), (ii) our $1 billion 6.375% Senior Notes due 2020 (the “6.375% Senior Notes”) and (iii) a $275 million accounts receivable securitization facility (the “Accounts Receivable Securitization Facility”).

The Senior Secured Credit Facility and the indenture governing the 6.375% Senior Notes contain restrictions that affect, and in some cases significantly limit or prohibit, among other things, our ability to borrow funds, pay dividends or make other distributions, make investments, engage in transactions with affiliates, or create liens on our assets. Covenants in the Senior Secured Credit Facility and the Accounts Receivable Securitization Facility require us to maintain a minimum interest coverage ratio and a maximum total debt to EBITDA (earnings before income taxes, depreciation expense and amortization), or leverage ratio. These restrictions and covenants could limit our ability to obtain additional capital in the future to fund capital expenditures or acquisitions, meet our debt payment obligations and capital commitments, fund any operating losses or future development of our business affiliates, obtain lower borrowing costs that are available from secured lenders or engage in advantageous transactions that monetize our assets or conduct other necessary or prudent corporate activities. Any failure to comply with these covenants and restrictions could result in an event of default that accelerates the maturity of our indebtedness under such facilities, resulting in an adverse effect on our business.

The lenders under the Senior Secured Credit Facility have received a pledge of substantially all of our existing and future direct and indirect subsidiaries, with certain customary or agreed-upon exceptions for foreign subsidiaries and certain other subsidiaries. Additionally, these lenders generally have a lien on substantially all of our assets and the assets of our U.S. subsidiaries, with certain exceptions. The financial institutions that are party to the Accounts Receivable Securitization Facility have a lien on certain of our domestic accounts receivable. As a result of these pledges and liens, if we fail to meet our payment or other obligations under the Senior Secured Credit Facility or the Accounts Receivable Securitization Facility, the lenders under those facilities will be entitled to foreclose on substantially all of our assets and, at their option, liquidate these assets, which would adversely impact the operations of our business.

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm, or legal liability.

We have a complex global supply chain and distribution network that supports our ability consistently to provide our products to our customers. Should we experience a local or regional disaster or other business continuity problem, such as an earthquake, tsunami, terrorist attack, pandemic or other natural or man-made disaster, our continued success will depend, in part, on the safety and availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other systems and operations. While our operational size, the diversity of locations from which we operate, and our redundant back-up systems provide us with a strong advantage

should we experience a local or regional disaster or other business continuity event, we could still experience operational challenges, in particular depending upon how a local or regional event may affect our human capital across our operations or with regard to particular aspects of our operations, such as key executive officers or personnel in our technology group. If we cannot respond to disruptions in our operations, for example, by finding alternative suppliers or replacing capacity at key manufacturing or distribution locations, or cannot quickly repair damage to our information, production or supply systems, we may be late in delivering, or be unable to deliver, products to our customers. These events could result in reputational damage, lost sales, cancellation charges or excessive markdowns. All of the foregoing can have an adverse effect on our business, results of operations, financial condition and cash flows.

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Our operations in international markets, and our earnings in those markets, may be affected by legal, regulatory, political and economic risks.

During 2015, net sales from our International segment were $1.1 billion, representing approximately 20% of total net sales. In addition, a significant amount of our manufacturing and production operations are located, or our products are sourced from, outside the United States. As a result, our business is subject to risks associated with international operations. These risks include the burdens of complying with foreign laws and regulations, unexpected changes in tariffs, taxes or regulatory requirements, and political unrest and corruption.

Regulatory changes could limit the countries in which we sell, produce or source our products or significantly increase the cost of operating in or obtaining materials originating from certain countries. Restrictions imposed by such changes can have a particular impact on our business when, after we have moved our operations to a particular location, new unfavorable regulations are enacted in that area or favorable regulations currently in effect are changed. Countries in which our products are manufactured or sold may from time to time impose additional new regulations, or modify existing regulations, including:

- changes in duties, taxes, tariffs and other charges on imports;
- limitations on the quantity of goods which may be imported into the United States from a particular country;
- requirements as to where products and/or inputs are manufactured or sourced;
- creation of export licensing requirements, imposition of restrictions on export quantities or specification of minimum export pricing and/or export prices or duties;
- limitations on foreign owned businesses; or
- government actions to cancel contracts, re-denominate the official currency, renounce or default on obligations, renegotiate terms unilaterally or expropriate assets.

In addition, political and economic changes or volatility, geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war, public corruption and other economic or political uncertainties could interrupt and negatively affect our business operations. All of these factors could result in increased costs or decreased revenues and could materially and adversely affect our product sales, financial condition and results of operations.

We are also subject to the U.S. Foreign Corrupt Practices Act, in addition to the anti-corruption laws of the foreign countries in which we operate. Although we implement policies and procedures designed to promote compliance with these laws, our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, may take actions in violation of our policies. Any such violation could result in sanctions or other penalties and have an adverse effect on our business, reputation and operating results.

Economic conditions may adversely impact demand for our products, reduce access to credit and cause our customers, suppliers and other business partners to suffer financial hardship, all of which could adversely impact our business, results of operations, financial condition and cash flows.

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 that are outside of our control, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, currency exchange rates, taxation, energy prices, unemployment trends and other matters that influence consumer confidence and spending. Reduced sales at our wholesale customers may lead to lower retail inventory levels, reduced orders to us or order cancellations. These lower sales volumes, along with the possibility of restrictions on access to the credit markets, may result in our customers experiencing financial difficulties including store closures, bankruptcies or liquidations. This may result in higher credit risk relating to receivables from our customers who are experiencing these financial difficulties. Any of these occurrences could have a material adverse effect on our business, results of operations, financial condition and cash flows.

In addition, economic conditions, including decreased access to credit, may result in financial difficulties leading to restructurings, bankruptcies, liquidations and other unfavorable events for our suppliers of raw materials and finished goods, logistics and other service providers and financial institutions which are counterparties to our credit facilities and derivatives transactions. In addition, the inability of these third parties to overcome these difficulties may

increase. If third parties on which we rely for raw materials, finished goods or services are unable to overcome financial difficulties and provide us with the materials and services we need, or if counterparties to our credit facilities or derivatives transactions do not perform their obligations, our business, results of operations, financial condition and cash flows could be adversely affected.

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We may be adversely affected by unseasonal or severe weather conditions.

Our business may be adversely affected by unseasonable or severe weather conditions. Periods of unseasonably warm weather in the fall or winter, or periods of unseasonably cool and wet weather in the spring or summer, can negatively impact retail traffic and consumer spending. In addition, severe weather events such as snow storms or hurricanes typically lead to temporarily reduced retail traffic. Any of these conditions could result in negative point-of-sale trends for our merchandise and reduced replenishment shipments to our wholesale customers.

Our failure to properly manage strategic projects in order to achieve the desired results may negatively impact our business.

The implementation of our business strategy periodically involves the execution of complex projects, which places significant demands on our management, accounting, financial, information and other systems and on our business. Our ability to successfully implement such projects is dependent on management's ability to timely and effectively anticipate and adapt to our changing business needs. We cannot assure you that our management will be able to manage these projects effectively or implement them successfully. If we miscalculate the resources or time we need to complete a project or fail to implement the project effectively, our business and operating results could be adversely affected.

We rely on a relatively small number of customers for a significant portion of our sales, and the loss of or material reduction in sales to any of our top customers could have a material adverse effect on our business, results of operations, financial condition and cash flows.

In 2015, our top 10 customers accounted for 56% of our net sales and our top two customers, Wal-Mart and Target, accounted for 23% and 15% of our net sales, respectively. We expect that these customers will continue to represent a significant portion of our net sales in the future. Moreover, our top customers are the largest market participants in our primary distribution channels across all of our product lines. We generally do not enter into purchase agreements that obligate our customers to purchase our products, and as a result, most of our sales are made on a purchase order basis. A decision by any of our top customers to significantly decrease the volume of products purchased from us could substantially reduce revenues and may have a material adverse effect on our business, results of operations, financial condition and cash flows. In addition, if any of our customers devote less selling space to apparel products, our sales to those customers could be reduced even if we maintain our share of their apparel business. Any such reduction in apparel selling space could result in lower sales and our business, results of operations, financial condition and cash flows may be adversely affected.

The loss of one or more of our suppliers of finished goods or raw materials may interrupt our supplies and materially harm our business.

We purchase all of the raw materials used in our products and approximately 35% of the cost of sales derived from apparel designed by us from a limited number of third party suppliers and manufacturers. Our ability to meet our customers' needs depends on our ability to maintain an uninterrupted supply of raw materials and finished products from our third party suppliers and manufacturers. Our business, financial condition or results of operations could be adversely affected if any of our principal third party suppliers or manufacturers experience financial difficulties that they are not able to overcome resulting from worldwide economic conditions, production problems, difficulties in sourcing raw materials, lack of capacity or transportation disruptions, or if for these or other reasons they raise the prices of the raw materials or finished products we purchase from them. The magnitude of this risk depends upon the timing of any interruptions, the materials or products that the third party manufacturers provide and the volume of production.

Our dependence on third parties for raw materials and finished products subjects us to the risk of supplier failure and customer dissatisfaction with the quality of our products. Quality failures by our third party manufacturers or changes in their financial or business condition that affect their production could disrupt our ability to supply quality products to our customers and thereby materially harm our business.

Our business depends on our senior management team and other key personnel.

Our success depends upon the continued contributions of our senior management team and other key personnel, some of whom have unique talents and experience and would be difficult to replace. The loss or interruption of the services of a member of our senior management team or other key personnel could have a material adverse effect on our business during the transitional period that would be required for a successor to assume the responsibilities of the position. Our future success will also depend on our ability to develop and/or recruit employees with the core competencies needed to support our growth in global markets and in new products or services. We may not be able to attract or retain these employees, which could adversely affect our business.

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If we are unsuccessful in establishing effective advertising, marketing and promotional programs, our sales could be negatively affected.

Inadequate or ineffective advertising could inhibit our ability to maintain brand relevance and drive increased sales. Additionally, if our competitors increase their spending on advertising and promotions, if our advertising, media or marketing expenses increase, or if our advertising and promotions become less effective than those of our competitors, we could experience a material adverse effect on our business results of operations and financial condition.

If we fail to maintain effective internal controls, we may not be able to report our financial results accurately or timely or prevent or detect fraud, which could have a material adverse effect on our business or the market price of our securities.

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent or detect fraud. If we cannot provide reasonable assurance with respect to our financial reports and effectively prevent or detect fraud, our brands and operating results could be harmed. Pursuant to the Sarbanes-Oxley Act of 2002, we are required to furnish a report by management on internal control over financial reporting, including management's assessment of the effectiveness of such control. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls cannot provide absolute assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and operating results could be harmed and we could fail to meet our reporting obligations, which could have a material adverse effect on our business or the market price of our securities.

We may suffer negative publicity if we or our third party manufacturers violate labor laws or engage in practices that are viewed as unethical or illegal, which could cause a loss of business.

We cannot fully control the business and labor practices of our third party manufacturers, the majority of whom are located in Asia, Central America and the Caribbean Basin. If one of our own manufacturing operations or one of our third party manufacturers violates or is accused of violating local or international labor laws or other applicable regulations, or engages in labor or other practices that would be viewed in any market in which our products are sold as unethical, we could suffer negative publicity, which could tarnish our brands' image or result in a loss of sales. In addition, if such negative publicity affected one of our customers, it could result in a loss of business for us.

Our existing customers may require products on an exclusive basis, forms of economic support and other changes that could be harmful to our business.

Customers increasingly may require us to provide them with some of our products on an exclusive basis, which could cause an increase in the number of stock keeping units, or "SKUs," we must carry and, consequently, increase our inventory levels and working capital requirements. Moreover, our customers may increasingly seek markdown allowances, incentives and other forms of economic support, which reduce our gross margins and affect our profitability. Our financial performance is negatively affected by these pricing pressures when we are forced to reduce our prices without being able to correspondingly reduce our production costs.

The success of our business is tied to the strength and reputation of our brands, including brands that we license to other parties. If other parties take actions that weaken, harm the reputation of or cause confusion with our brands, our business, and consequently our sales, results of operations and cash flows, may be adversely affected.

We license some of our important trademarks to third parties. For example, we license Champion to third parties for athletic-oriented accessories. Although we make concerted efforts to protect our brands through quality control mechanisms and contractual obligations imposed on our licensees, there is a risk that some licensees may not be in full compliance with those mechanisms and obligations. In that event, or if a licensee engages in behavior with respect to the licensed marks that would cause us reputational harm, we could experience a significant downturn in that brand's business, adversely affecting our sales and results of operations.

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We design, manufacture, source and sell products under trademarks that are licensed from third parties. If any licensor takes actions related to their trademarks that would cause their brands or our company reputational harm, our business may be adversely affected.

We design, manufacture, source and sell a number of our products under trademarks that are licensed from third parties, such as our Polo Ralph Lauren men's underwear and our Donna Karan and DKNY intimate apparel. Because we do not control the brands licensed to us, our licensors could make changes to their brands or business models that could result in a significant downturn in a brand's business, adversely affecting our sales and results of operations. If any licensor engages in behavior with respect to the licensed marks that would cause us reputational harm, or if any of the brands licensed to us violates the trademark rights of another or are deemed to be invalid or unenforceable, we could experience a significant downturn in that brand's business, adversely affecting our sales and results of operations, and we may be required to expend significant amounts on public relations, advertising and, possibly, legal fees.

If we are unable to protect our intellectual property rights, our business may be adversely affected.

Our trademarks are important to our marketing efforts and have substantial value. We aggressively protect these trademarks from infringement and dilution through appropriate measures, including court actions and administrative proceedings. We are susceptible to others imitating our products and infringing our intellectual property rights. Infringement or counterfeiting of our products could diminish the value of our brands or otherwise adversely affect our business. Actions we have taken to establish and protect our intellectual property rights may not be adequate to prevent imitation of our products by others or to prevent others from seeking to invalidate our trademarks or block sales of our products as a violation of the trademarks and intellectual property rights of others. In addition, unilateral actions in the United States or other countries, such as changes to or the repeal of laws recognizing trademark or other intellectual property rights, could have an impact on our ability to enforce those rights.

The value of our intellectual property could diminish if others assert rights in, or ownership of, our trademarks and other intellectual property rights. We may be unable to successfully resolve these types of conflicts to our satisfaction. In some cases, there may be trademark owners who have prior rights to our trademarks because the laws of certain foreign countries may not protect intellectual property rights to the same extent as do the laws of the United States. In other cases, there may be holders who have prior rights to similar trademarks. We are from time to time involved in opposition and cancellation proceedings with respect to some items of our intellectual property.

Market returns could have a negative impact on the return on plan assets for our pension, which may require significant funding.

The plan assets of our pension plans, which had a loss of approximately 3% during 2015 and a return of approximately 4% during 2014, are invested mainly in domestic and international equities, bonds and real estate. We are unable to predict the variations in asset values or the severity or duration of any disruptions in the financial markets or adverse economic conditions in the United States, Europe and Asia. The funded status of these plans, and the related cost reflected in our financial statements, are affected by various factors that are subject to an inherent degree of uncertainty, particularly in the current economic environment. Under the Pension Protection Act of 2006 (the "Pension Protection Act"), losses of asset values may necessitate increased funding of the plans in the future to meet minimum federal government requirements. Under the Pension Protection Act funding rules, our U.S. qualified pension plan is approximately 104% funded as of January 2, 2016. Any downward pressure on the asset values of these plans may require us to fund obligations earlier than we had originally planned, which would have a negative impact on cash flows from operations.

Our balance sheet includes a significant amount of intangible assets and goodwill. A decline in the estimated fair value of an intangible asset or of a business unit could result in an asset impairment charge, which would be recorded as a noncash expense in our Consolidated Statement of Income.

Goodwill, trademarks and other identifiable intangible assets must be tested for impairment at least annually. The fair value of the goodwill assigned to a business unit could decline if projected revenues or cash flows were to be lower in the future due to effects of the global economy or other causes. If the carrying value of intangible assets or of goodwill were to exceed its fair value, the asset would be written down to its fair value, with the impairment loss recognized as

a noncash charge in the Consolidated Statement of Income.

As of January 2, 2016, we had approximately $834 million of goodwill and $701 million of trademarks and other identifiable intangibles on our balance sheet, which together represent 27% of our total assets. No impairment was identified in 2015. Changes in the future outlook of a business unit could result in an impairment loss, which could have a material adverse effect on our results of operations and financial condition.

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Our balance sheet includes a significant amount of deferred tax assets. We must generate sufficient future taxable income to realize the deferred tax benefits.

As of January 2, 2016, we had approximately $374 million of net deferred tax assets on our balance sheet, which represents 7% of our total assets. Deferred tax assets relate to temporary differences (differences between the assets and liabilities in the consolidated financial statements and the assets and liabilities in the calculation of taxable income). The recognition of deferred tax assets is reduced by a valuation allowance if it is more likely than not that the tax benefits associated with the deferred tax benefits will not be realized. If we are unable to generate sufficient future taxable income in certain jurisdictions, or if there is a significant change in the actual effective tax rates or the time period within which the underlying temporary differences become taxable or deductible, we could be required to increase the valuation allowances against our deferred tax assets, which would cause an increase in our effective tax rate. A significant increase in our effective tax rate could have a material adverse effect on our financial condition or results of operations.

We had approximately 65,300 employees worldwide as of January 2, 2016, and our business operations and financial performance could be adversely affected by changes in our relationship with our employees or changes to U.S. or foreign employment regulations.

We had approximately 65,300 employees worldwide as of January 2, 2016. This means we have a significant exposure to changes in domestic and foreign laws governing our relationships with our employees, including wage and hour laws and regulations, fair labor standards, minimum wage requirements, overtime pay, unemployment tax rates, workers' compensation rates, citizenship requirements and payroll taxes, which likely would have a direct impact on our operating costs. Approximately 57,600 of those employees were outside of the United States. A significant increase in minimum wage or overtime rates in countries where we have employees could have a significant impact on our operating costs and may require that we relocate those operations or take other steps to mitigate such increases, all of which may cause us to incur additional costs, expend resources responding to such increases and lower our margins.

In addition, approximately 30 of our employees in the United States and a significant number of our international employees are members of labor organizations or are covered by collective bargaining agreements. If there were a significant increase in the number of our employees who are members of labor organizations or become parties to collective bargaining agreements, we would become vulnerable to a strike, work stoppage or other labor action by these employees that could have an adverse effect on our business.

Anti-takeover provisions of our charter and bylaws, as well as Maryland law, may reduce the likelihood of any potential change of control or unsolicited acquisition proposal that you might consider favorable.

Our charter permits our Board of Directors, with the approval of a majority of the entire Board and without stockholder approval, to amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have the authority to issue. In addition, our Board of Directors may classify or reclassify any unissued shares of common stock or preferred stock and may set the preferences, conversion or other rights, voting powers and other terms of the classified or reclassified shares. Our Board of Directors could establish a series of preferred stock that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders. Our charter also provides that a director may be removed at any time, but only for cause, as defined in our charter, and then only by the affirmative vote of at least two thirds of the votes entitled to be cast generally in the election of directors. We have also elected to be subject to certain provisions of Maryland law that provide that any and all vacancies on our Board of Directors may only be filled by the affirmative vote of a majority of our remaining directors, even if they do not constitute a quorum, and that any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which the vacancy occurred. Under Maryland law, our Board of Directors also is permitted, without stockholder approval, to implement a classified board structure at any time.

Our bylaws, which can only be amended by our Board of Directors, provide that nominations of persons for election to our Board of Directors and the proposal of business to be considered at a stockholders meeting may be made only

in the notice of the meeting, by or at the direction of our Board of Directors or by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures of our bylaws. Also, under Maryland law, business combinations between us and an interested stockholder or an affiliate of an interested stockholder, including mergers, consolidations, share exchanges or, in circumstances specified in the statute, asset transfers or issuances or reclassifications of equity securities, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. An interested stockholder includes any person who beneficially owns 10% or more of the voting power of our stock or any affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our stock. A person is not an interested stockholder under the statute if our Board of Directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, our Board of Directors may provide that its approval is subject to compliance, at or after the time of

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approval, with any terms and conditions determined by our Board. After the five-year prohibition, any business combination between us and an interested stockholder generally must be recommended by our Board of Directors and approved by two supermajority votes or our common stockholders must receive a minimum price, as defined under Maryland law, for their shares. The statute permits various exemptions from its provisions, including business combinations that are exempted by our Board of Directors prior to the time that the interested stockholder becomes an interested stockholder.

These and other provisions of Maryland law or our charter and bylaws could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our common stock or otherwise be considered favorably by our stockholders.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Executive Officers of the Registrant

The chart below lists our executive officers and is followed by biographical information about them. Each of our executive officers is elected annually by the Board of Directors to serve until his or her successor is elected and qualifies or until his or her death, resignation or removal. No family relationship exists between any of our directors or executive officers.

Name	Age	Positions
Richard A. Noll	58	Chairman of the Board of Directors and Chief Executive Officer
Gerald W. Evans, Jr.	56	Chief Operating Officer
Richard D. Moss	58	Chief Financial Officer
Joia M. Johnson	55	Chief Legal Officer, General Counsel and Corporate Secretary
W. Howard Upchurch	51	Group President, Innerwear Americas
John T. Marsh	50	Group President, Global Activewear
Michael E. Faircloth	50	President, Chief Global Supply Chain and Information Technology Officer
Elizabeth L. Burger	45	Chief Human Resources Officer
M. Scott Lewis	45	Chief Accounting Officer and Controller

Richard A. Noll has served as Chairman of the Board of Directors since January 2009, as our Chief Executive Officer since April 2006 and as a director since our formation in September 2005. Previously in his career, Mr. Noll led the turnarounds of several Sara Lee Corporation bakery and apparel businesses, consulted for Strategic Planning Associates, and began his career as a systems programmer. Mr. Noll currently serves as lead director of The Fresh Market, Inc., a specialty grocery retailer, and is also a member of the Business Roundtable.

Gerald W. Evans, Jr. has served as the Chief Operating Officer of the Company since August 2013. From October 2011 until August 2013, Mr. Evans served as Co-Chief Operating Officer of the Company. Prior to his appointment as Co-Chief Operating Officer, Mr. Evans served as our Co-Operating Officer, President International, from November 2010 until October 2011. From February 2009 until November 2010, he was our President, International Business and Global Supply Chain. From February 2008 until February 2009, he served as our President, Global Supply Chain and Asia Business Development. From September 2006 until February 2008, he served as Executive Vice President, Chief Supply Chain Officer. From July 2005 until September 2006, Mr. Evans served as a Vice President of Sara Lee and as Chief Supply Chain Officer of Sara Lee Branded Apparel. Mr. Evans served as President and Chief Executive Officer of Sara Lee Sportswear and Underwear from March 2003 until June 2005 and as President and Chief Executive Officer of Sara Lee Sportswear from March 1999 to February 2003.

Richard D. Moss has served as our Chief Financial Officer since October 2011. Prior to his appointment as Chief Financial Officer, Mr. Moss served as the Company’s Chief Treasury and Tax Officer since December 2010, as a Senior Vice President since September 2006 and as Treasurer since June 2006. From January 2006 until the completion of the Company’s spin off from Sara Lee, Mr. Moss served as Treasurer of Sara Lee Branded Apparel.

From August 2002 to December 2005, Mr. Moss served as Vice President and Chief Financial Officer of Chattem, Inc., a leading marketer and manufacturer of branded over-the-counter health-care products, toiletries and dietary supplements.

Joia M. Johnson has served as our Chief Legal Officer, General Counsel and Corporate Secretary since January 2007, a position previously known as Executive Vice President, General Counsel and Corporate Secretary. From May 2000 until January 2007, Ms. Johnson served as Executive Vice President, General Counsel and Corporate Secretary of RARE Hospitality International, Inc., an owner, operator and franchisor of national chain restaurants acquired by Darden Restaurants, Inc. in

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October 2007. Ms. Johnson currently serves on the Board of Directors of Crawford & Company, the world's largest independent provider of claims management solutions to the risk management and insurance industry.

W. Howard Upchurch has served as our Group President, Innerwear Americas (a position previously known as President, Innerwear) since January 2011. Prior to his appointment as Group President, Innerwear Americas, Mr. Upchurch served as our Executive Vice President and General Manager, Domestic Innerwear from January 2008 until December 2010 and as our Senior Vice President and General Manager, Intimate Apparel from July 2006 until December 2007. Prior to the completion of the Company's spin off from Sara Lee, Mr. Upchurch served as President of Sara Lee Intimates and Hosiery.

John T. Marsh has served as our Group President, Global Activewear (a position previously known as President, Activewear) since May 2011. Prior to his appointment as Group President, Global Activewear, Mr. Marsh served as our Activewear Group General Manager during April 2011, as our Senior Vice President and General Manager, Casualwear from January 2008 to March 2011, as our Vice President and General Manager, Casualwear from September 2007 to December 2007 and as our Vice President and General Manager, Imagewear from July 2006 to September 2007. Prior to the completion of the Company's spin off from Sara Lee, Mr. Marsh served as Vice President of Hanes Printables.

Michael E. Faircloth has served as our President, Chief Global Supply Chain and Information Technology Officer since 2014. From 2010 to 2014, he served as our Chief Global Operations Officer (a position previously known as President, Chief Global Supply Chain Officer). Prior to his appointment as Chief Global Operations Officer, Mr. Faircloth served as our Senior Vice President, Supply Chain Support from October 2009 to November 2010, as our Vice President, Supply Chain Support from March 2009 to September 2009 and as our Vice President of Engineering & Quality from July 2006 to March 2009. Prior to the completion of the Company's spin off from Sara Lee, Mr. Faircloth served as Vice President, Industrialization of Sara Lee.

Elizabeth L. Burger has served as our Chief Human Resources Officer since July 2013. Prior to joining the Company, Ms. Burger was Vice President, Global Business Operations for Monsanto Company, a global agricultural products company, since 2007. From 2006 to 2007, she was Vice President, Corporate Human Resources, and Chief of Staff to the Executive Vice President of Human Resources of Monsanto Company. She also served as Vice President, Compensation, from 2005 to 2006, and Vice President, Global Manufacturing, from 2002 to 2004, both at Monsanto Company. Ms. Burger held other human resource positions from 1994 to 2002.

M. Scott Lewis has served as the Company's Chief Accounting Officer and Controller since May 2015. Mr. Lewis joined the Company in 2006 as Director, External Reporting and was promoted in 2011 to Vice President, External Reporting, promoted in 2013 to Vice President, Financial Reporting and Accounting, and promoted in December 2013 to Vice President, Tax. Prior to joining the Company, Mr. Lewis served as senior manager with the accounting, audit and tax consulting firm KPMG.

Item 2. Properties

We own and lease properties supporting our administrative, manufacturing, distribution and direct outlet activities. As of January 2, 2016, we owned and leased properties in 37 countries, including 47 manufacturing facilities and 37 distribution centers, as well as office facilities. The leases for these properties expire between 2016 and 2057, with the exception of some seasonal warehouses that we lease on a month-by-month basis. As of January 2, 2016, we also operated 252 direct outlet stores in the United States and the Commonwealth of Puerto Rico and 144 retail and outlet stores internationally, most of which are leased under five-year, renewable lease agreements and several of which are leased under 10-year agreements. We believe that our facilities, as well as equipment, are in good condition and meet our current business needs.

We own our approximately 470,000 square-foot headquarters located in Winston-Salem, North Carolina, which houses our various sales, marketing and corporate business functions. Research and development as well as certain product-design functions also are located in Winston-Salem, while other design functions are located in a mix of leased and owned facilities in New York City and Lenexa, Kansas.

Our products are manufactured through a combination of facilities we own and operate and facilities owned and operated by third party contractors who perform some of the steps in the manufacturing process for us, such as cutting and/or sewing. We source the remainder of our finished goods from third party manufacturers who supply us with finished products based on our designs. Our most significant manufacturing facilities include an approximately 1.1 million square-foot owned facility located in San Juan Opico, El Salvador, an approximately 1.1 million square-foot owned facility located in Nanjing, China and an approximately 600,000 square-foot owned facility located in Bonao, Dominican Republic. We distribute our products from 37 distribution centers. These facilities include 16 facilities located in the United States and 21 facilities located outside the United States in regions where we manufacture our products. Our most significant distribution facilities include an approximately 1.3 million square-foot leased facility located in Perris, California, an approximately 0.9 million square-foot

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leased facility located in Rural Hall, North Carolina and an approximately 0.7 million square-foot owned facility located in Martinsville, Virginia.

The following table summarizes the properties primarily used by our segments as of January 2, 2016:

	Owned Square Feet	Leased Square Feet	Total
Properties by Segment (1)			
Innerwear	3,629,813	5,000,201	8,630,014
Activewear	2,458,519	2,706,451	5,164,970
Direct to Consumer	—	1,884,808	1,884,808
International	2,755,259	1,647,937	4,403,196
Totals	8,843,591	11,239,397	20,082,988

(1) Excludes vacant land, facilities under construction, facilities no longer in operation intended for disposal, sourcing offices not associated with a particular segment, and office buildings housing corporate functions.

Item 3. 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 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for our Common Stock

Our common stock currently is traded on the New York Stock Exchange, or the "NYSE," under the symbol "HBI." We have not made any unregistered sales of our equity securities.

The following table sets forth the high and low sales prices for our common stock as reported by the NYSE for each quarter during the last two fiscal years. All per share amounts and number of shares presented below reflect the four-for-one stock split that was effected in the first quarter of fiscal 2015.

	High	Low
2015		
Quarter Ended April 4, 2015	$34.80	$26.28
Quarter Ended July 4, 2015	$34.78	$30.42
Quarter Ended October 3, 2015	$34.67	$26.32
Quarter Ended January 2, 2016	$33.24	$25.92
2014		
Quarter Ended March 29, 2014	$19.11	$15.89
Quarter Ended June 28, 2014	$24.70	$18.03
Quarter Ended September 27, 2014	$27.41	$23.90
Quarter Ended January 3, 2015	$28.72	$24.93

Holders of Record

On February 2, 2016, there were 22,091 holders of record of our common stock. Because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we are unable to determine the exact number of beneficial stockholders represented by these record holders, but we believe that there were approximately 110,464 beneficial owners of our common stock as of February 2, 2016.

Dividends

As part of our cash deployment strategy, in 2013, our Board of Directors declared our first dividends of $0.05 per share on outstanding common stock, which were paid in 2013. Prior to that declaration, we had not paid a cash dividend on our common stock.

In 2014, our Board of Directors authorized regular quarterly cash dividends of $0.075 per share, which were paid in 2014.

In January 2015, our Board of Directors increased our regular quarterly dividend rate to $0.10 per share on outstanding common stock. During our 2015 fiscal year, regular quarterly cash dividends of $0.10 per share were paid on March 3, 2015, June 11, 2015, September 9, 2015 and December 8, 2015.

In January 2016, our Board of Directors increased our regular quarterly dividend rate to $0.11 per share on outstanding common stock and declared a regular quarterly cash dividend to be paid on March 8, 2016 to stockholders of record at the close of business on February 16, 2016.

In March 2015, we effected a four-for-one stock split in the form of a stock dividend to stockholders of record as of the close of business on February 9, 2015. All references to the number of common shares outstanding, per share amounts and share options data have been restated to reflect the effect of the split for all periods presented.

We intend to pay regular quarterly dividends on our outstanding common stock. However, there can be no assurance that future dividends will be declared and paid. The declaration and payment of future dividends, the amount of any such dividends, and the establishment of record and payment dates for dividends, if any, are subject to final determination by our Board of Directors after its review of general business conditions, our financial condition and results of operations, our capital requirements, our prospects and such other factors as our Board of Directors may deem relevant.

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Issuer Repurchases of Equity Securities

The following table sets forth information in connection with purchases made by, or on behalf of, the Company or any affiliate purchaser of the Company, of shares of the Company's common stock during the year ended January 2, 2016.

	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased under the Program
As of January 3, 2015	11,348,496	$—	11,348,496	28,651,504
January 4, 2015 to April 4, 2015	—	—	—	28,651,504
April 5, 2015 to July 4, 2015	—	—	—	28,651,504
July 5, 2015 to October 3, 2015	10,665,148	29.15	10,665,148	17,986,356
October 4, 2015 - November 7, 2015	1,482,829	27.22	1,482,829	16,503,527
November 8, 2015 - December 5, 2015	—	—	—	16,503,527
December 6, 2015 - January 2, 2016	—	—	—	16,503,527
Total 2015	23,496,473		23,496,473	

(1) On February 1, 2007, the Company announced that the Board of Directors granted authority for the repurchase of up to 40 million shares of the Company's common stock. As of January 2, 2016, there were 16.5 million remaining share repurchase authorizations for this plan.

(2) Average price paid per share for shares purchased as part of our publicly-announced plan.

Performance Graph

The following graph compares the cumulative total stockholder return on our common stock with the comparable cumulative return of the S&P 500 Index and the S&P 1500 Apparel, Accessories & Luxury Goods Index. The graph assumes that $100 was invested in our common stock and each index on December 31, 2010. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

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Equity Compensation Plan Information

The following table provides information about our equity compensation plans as of January 2, 2016:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (1)
Equity compensation plans approved by security holders	6,561,914	$13.94	18,831,779
Equity compensation plans not approved by security holders	—	—	—
Total	6,561,914	$13.94	18,831,779

(1) The amount appearing under "Number of securities remaining available for future issuance under equity compensation plans" includes 11,854,773 shares available under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) and 6,977,006 shares available under the Hanesbrands Inc. Employee Stock Purchase Plan of 2006.

Item 6. Selected Financial Data

The following table presents our selected historical financial data. The statement of income data for the years ended January 2, 2016, January 3, 2015 and December 28, 2013 and the balance sheet data as of January 2, 2016 and January 3, 2015 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The statement of income data for the years ended December 29, 2012 and December 31, 2011 and the balance sheet data as of December 28, 2013, December 29, 2012 and December 31, 2011 has been derived from our financial statements not included in this Annual Report on Form 10-K.

The data should be read in conjunction with our historical financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K.

	Years Ended				
	January 2, 2016	January 3, 2015	December 28, 2013	December 29, 2012	December 31, 2011
	(amounts in thousands, except per share data)				
Statement of Income Data:					
Net sales	$5,731,549	$5,324,746	$4,627,802	$4,525,721	$4,434,291
Operating profit	595,118	563,954	515,186	440,115	447,127
Income from continuing operations	428,855	404,519	330,494	232,443	242,569
Income (loss) from discontinued operations, net of tax	—	—	—	(67,762)	24,119
Net income	$428,855	$404,519	$330,494	$164,681	$266,688
Earnings per share — basic:					
Continuing Operations	$1.07	$1.01	$0.83	$0.59	$0.62
Discontinued Operations	—	—	—	(0.17)	0.06
Net income	$1.07	$1.01	$0.83	$0.42	$0.68
Earnings per share — diluted:					

Continuing Operations	$1.06	$0.99	$0.81	$0.58	$0.61
Discontinued Operations	—	—	—	(0.17)	0.06
Net income	$1.06	$0.99	$0.81	$0.41	$0.67
Dividends per share	$0.40	$0.30	$0.15	$—	$—

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	January 2, 2016	January 3, 2015	December 28, 2013	December 29, 2012	December 31, 2011
	(in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$319,169	$239,855	$115,863	$42,796	$35,345
Working capital	1,413,958	1,067,753	1,047,625	986,169	1,242,715
Total assets	5,619,040	5,208,193	4,090,021	3,631,879	4,034,976
Noncurrent liabilities:					
Long-term debt	2,254,162	1,613,997	1,467,000	1,317,500	1,807,777
Other noncurrent liabilities	585,078	725,010	393,617	552,346	612,729
Total stockholders’ equity	1,275,891	1,386,772	1,230,623	886,866	681,061

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Item 7. 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" and "Risk Factors" in this Annual Report on Form 10-K 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 Annual Report on Form 10-K. 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 listed under "Risk Factors" in this Annual Report on Form 10-K and included elsewhere in this Annual Report on Form 10-K.

This MD&A is a supplement to our financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K, and is provided to enhance your understanding of our results of operations and financial condition. Our MD&A is organized as follows:

- Overview. This section provides a general description of our Company and operating segments, business and industry trends, our key business strategies and background information on other matters discussed in this MD&A.
- 2015 Highlights. This section discusses some of the highlights of our performance and activities during 2015.
- Consolidated Results of Operations and Operating Results by Business Segment. These sections provide our analysis and outlook for the significant line items on our statements of income, as well as other information that we deem meaningful to an understanding of our results of operations on both a consolidated basis and a business segment basis.
- Liquidity and Capital Resources. This section provides an analysis of trends and uncertainties affecting liquidity, cash requirements for our business, sources and uses of our cash and our financing arrangements.
- Critical Accounting Policies and Estimates. This section discusses the accounting policies that we consider important to the evaluation and reporting of our financial condition and results of operations, and whose application requires significant judgments or a complex estimation process.
- Recently Issued Accounting Pronouncements. This section provides a summary of the most recent authoritative accounting pronouncements that we will be required to adopt in a future period.

Overview

Our Company

We are a consumer goods company with a portfolio of leading apparel brands, including Hanes, Champion, Maidenform, DIM, Playtex, Bali, JMS/Just My Size, Nur Die/Nur Der, L'eggs, Lovable, Wonderbra, Flexees, Lilyette, Gear for Sports, Shock Absorber, Abanderado, Zorba and Rinbros. 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 brands hold either the number one or number two U.S. market position by units sold in most product categories in which we compete.

Acquisitions

On April 6, 2015, we acquired Knights Apparel, a leading seller of licensed collegiate logo apparel primarily in the mass retail channel, from Merit Capital Partners. The acquisition was an all cash transaction valued at approximately $193 million on an enterprise value basis. The acquisition was funded with cash on hand and short-term borrowings under our Revolving Loan Facility. We believe the acquisition will create growth and cost savings opportunities through utilizing our low-cost supply chain. The operating results of Knights Apparel from the date of acquisition are included in our consolidated financial statements and are reported as part of our Activewear segment.

We incurred $266 million of charges in 2015 related to acquisition, integration and other action related costs. Our current estimate for pretax charges in 2016 for acquisition, integration and other actions is approximately $70 million to $100 million.

Our Segments

Our operations are managed and reported in four operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Activewear, Direct to Consumer and International. These segments are

organized principally by product category, geographic location and distribution channel. Each segment has its own management that is responsible for the operations of the segment's businesses, but the segments share a common supply chain and media and marketing platforms. The reportable segments are as follows:

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- Innerwear sells basic branded products that are replenishment in nature under the product categories of intimate apparel, men's underwear, panties, children's underwear, socks and hosiery.
- Activewear sells basic branded products that are primarily seasonal in nature to both retailers and wholesalers, as well as licensed sports apparel and licensed logo apparel in collegiate bookstores, mass retailers and other channels.
- Direct to Consumer includes our Company-operated outlet stores, catalogs and website operations that sell our branded products directly to consumers.
- International primarily relates to the Europe, Asia, Latin America, Canada and Australia geographic locations that sell products that span across the Innerwear and Activewear reportable segments.

Outlook for 2016

We expect our 2016 full year sales to be approximately $5.8 billion to $5.9 billion.

Interest expense and other related expense are expected to be approximately $115 million to $120 million.

We estimate our full year effective tax rate to be approximately 10% and 11% with the rates expected to vary by quarter.

We expect cash flow from operations to be in the range of $750 million to $850 million. Net capital expenditures are expected to be approximately $70 million and dividend payments are expected to be roughly $175 million.

Business and Industry Trends

Inflation and Changing Prices

Cotton is the primary raw material used in manufacturing many of our products. While we do not own yarn operations, we are still exposed to fluctuations in the cost of cotton. Increases in the cost of cotton can result in higher costs in the price we pay for yarn from our large-scale yarn suppliers and may result in the need to implement future price increases in order to maintain our margins. Decreases in cotton prices can lead to lower margins for inventory and products produced from cotton we have already purchased, particularly if there is downward price pressure as a result of consumer demand, competition or other factors.

Our costs for cotton yarn and cotton-based textiles vary based upon the fluctuating cost of cotton, which is affected by, among other factors, weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries and other factors that are generally unpredictable and beyond our control. We are able to lock in the cost of cotton reflected in the price we pay for yarn from our primary yarn suppliers in an attempt to protect our business from the volatility of the market price of cotton. Under our agreements with these suppliers, we have the ability to periodically fix the cotton cost component of our yarn purchases. When we elect to fix the cotton cost component under these agreements, interim fluctuations in the price of cotton do not impact the price we pay for the specified volume of yarn. The yarn suppliers bear the risk of cotton fluctuations for the yarn volume specified and it is their responsibility to procure the cotton at the agreed upon pricing through arrangements they make with their cotton suppliers. However, our business can be affected by dramatic movements in cotton prices. The cost of cotton used in goods manufactured by us represented only approximately 7% of our cost of sales in 2015. Costs incurred today for materials and labor, including cotton, typically do not impact our results until the inventory is sold approximately six to nine months later.

Inflation can have a long-term impact on us because increasing costs of materials and labor may impact our ability to maintain satisfactory margins. For example, the cost of the materials that are used in our manufacturing process, such as oil-related commodities and other raw materials, such as dyes and chemicals, and other costs, such as fuel, energy and utility costs, can fluctuate as a result of inflation and other factors. Costs incurred for materials and labor are capitalized into inventory and impact our results as the inventory is sold. In addition, a significant portion of our products are manufactured in countries other than the United States and declines in the value of the U.S. dollar may result in higher manufacturing costs. Increases in inflation may not be matched by rises in consumer income, which also could have a negative impact on spending.

Other Business and Industry Trends

The basic apparel market is highly competitive and evolving rapidly. Competition is generally based upon brand name recognition, price, product quality, selection, service and purchasing convenience. The majority of our core styles continue from year to year, with variations only in color, fabric or design details. Some products, however, such as

intimate apparel, activewear and sheer hosiery, do have more of an emphasis on style and innovation. Our businesses face competition from other large corporations and foreign manufacturers, as well as smaller companies, department stores, specialty stores and other retailers that market and sell basic apparel products under private labels that compete directly with our brands.

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Our top 10 customers accounted for 56% of our net sales. Our largest customers in 2015 were Wal-Mart, Target and Kohl's, which accounted for 23%, 15% and 5% of total sales, respectively. The increasing bargaining power of retailers can create pricing pressures as our customers grow larger and seek greater concessions in their purchase of our products, while also demanding exclusivity of some of our products. To counteract these effects, it has become increasingly important to leverage our national brands through investment in our largest and strongest brands as our customers strive to maximize their performance especially in today's challenging economic environment. Brands are important in our core categories to drive traffic and project the quality and value our customers demand.

Changes in exchange rates between the U.S. Dollar and other currencies can impact our financial results in two ways; a translation impact and a transaction impact. The translation impact refers to the impact that changes in exchange rates can have on our published financial results. Similar to many multi-national corporations that publish financial results in U.S. Dollars, our revenue and profit earned in local foreign currencies is translated back into U.S. Dollars using an average exchange rate over the representative period. A period of strengthening in the U.S. Dollar results in a negative impact to our published financial results (because it would take more units of a local currency to convert into a dollar). The opposite is true during a period of weakening in the U.S. Dollar. Our biggest foreign currency exposure is the euro.

The transaction impact on financial results is common for apparel companies that source goods because these goods are purchased in U.S. Dollars. The transaction impact from a strengthening dollar would be negative to our financial results (because the U.S. Dollar-based costs would convert into a higher amount of local currency units, which means a higher local-currency cost of goods, and in turn, a lower local-currency gross profit). The transaction impact from exchange rates is typically recovered over time with price increases. However, during periods of rapid change in exchange rates; pricing is unable to change quickly enough, therefore we hedge against our sourcing costs to minimize our exposure to fluctuating exchange rates.

Our Key Business Strategies

Our Innovate-to-Elevate strategy integrates our brand superiority, industry-leading innovation and low-cost supply chain to provide higher valued products while lowering production costs.

The first element of our Innovate-to-Elevate strategy is our brand power. We seek to drive modest sales growth by consistently offering consumers brands they trust and products with unsurpassed value. Our brands have a strong heritage in the basic apparel industry. Our brands hold either the number one or number two U.S. market position by units sold in most product categories in which we compete. Internationally, our commercial markets include Europe, Japan, Canada, Mexico, Brazil and Australia, where a substantial amount of gross domestic product growth outside the United States will be concentrated over the next decade. Our ability to react to changing customer needs and industry trends is key to our success. Our design, research and product development teams, in partnership with our marketing teams, drive our efforts to bring innovations to market. We seek to leverage our insights into consumer demand in the basic apparel industry to develop new products within our existing lines and to modify our existing core products in ways that make them more appealing, addressing changing customer needs and industry trends. We also support our key brands with targeted, effective advertising and marketing campaigns.

The second element of our Innovate-to-Elevate strategy is platform innovation. We are not interested in newness or fashion, but rather focus on identifying the long-term megatrends that will impact our categories over the next five to 10 years. Once we have identified these trends, we utilize a disciplined big-idea process to put more science into the art of apparel. Our approach to innovation is to focus on big platforms. Our Tagless apparel platform, ComfortFlex Fit bra platform and ComfortBlend and X-Temp fabric platforms incorporate big-idea innovation to span brands, product categories, business segments, retailer and distribution channels and geographies. We are focused on driving innovation that is margin accretive and that can leverage our supply chain in order to drive further economies of scale.

The third element of our Innovate-to-Elevate strategy is our low-cost global supply chain. We seek to expand margins through optimizing our low-cost global supply chain and streamlining our operations to reduce costs. We believe that we are able to leverage our significant scale of operations to provide us with greater manufacturing efficiencies, purchasing power and product design, marketing and customer management resources than our smaller competitors. Our global supply chain spans across both the Western and Eastern hemispheres and provides us with a balanced

approach to product supply, which relies on a combination of owned, contracted and sourced manufacturing located across different geographic regions, increases the efficiency of our operations, reduces product costs and offers customers a reliable source of supply. Our global supply chain enables us to expand and leverage our production scale as we balance our supply chain across hemispheres, thereby diversifying our production risks. We have generated significant cost savings, margin expansion and contributions to cash flow and should continue to do so as we further optimize our size, scale and production capability.

We seek to effectively generate strong cash flow through optimizing our capital structure and managing working capital levels. Our capital allocation strategy is to effectively deploy our significant, consistent cash flow to generate the best long-

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term returns for our shareholders. Our goal is to use our cash flow to fund capital investments and dividends, leverage debt for acquisitions and use excess cash flow for share repurchases.

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

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

Changes in product sales mix can impact our gross profit as the percentage of our sales attributable to higher margin products, such as intimate apparel and men's underwear, and lower margin products, such as 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.

2015 Highlights

- Net sales in 2015 were $5.7 billion, compared with $5.3 billion in 2014, representing an 8% increase.
- Operating profit was $595 million in 2015 compared with $564 million in 2014, representing a 6% increase. As a percent of sales, operating profit was 10.4% in 2015 compared to 10.6% in 2014. Included within operating profit were acquisition, integration and other action related charges of $266 million and $199 million in 2015 and 2014, respectively.
- Diluted earnings per share was $1.06 in 2015, compared with $0.99 in 2014, representing a 7% increase.
- Operating cash flows were $227 million in 2015 compared to $508 million in 2014.
- We acquired Knights Apparel on April 6, 2015 with total purchase price of $193 million. The acquisition was funded with cash on hand and short term borrowings. We believe the acquisition, when combined with our Gear For Sports business, will create a commercial business that will take advantage of combined expertise in brand building, marketing, graphic design, licensing relationships, supply chain and retailer relationships across channels. The operating results of Knights Apparel from the date of acquisition are included in the Activewear segment.
- As part of our cash deployment strategy, we initiated four quarterly dividends, in March, June, September and December, of $0.10 per share.
- The Board of Directors authorized a four-for-one stock split in the form of a 300% stock dividend, which was implemented on March 3, 2015 to stockholders of record at the close of business on February 9, 2015.
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We repurchased, as part of our cash deployment strategy, approximately 12.1 million shares of our stock for approximately $352 million at a weighted average cost per share of $28.91.

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Consolidated Results of Operations — Year Ended January 2, 2016 (“2015”) Compared with Year Ended January 3, 2015 (“2014”)

	Years Ended				
	January 2, 2016	January 3, 2015	Higher (Lower)	Percent Change	
	(dollars in thousands)				
Net sales	$5,731,549	$5,324,746	$406,803	7.6	%
Cost of sales	3,595,217	3,420,339	174,878	5.1	
Gross profit	2,136,332	1,904,407	231,925	12.2	
Selling, general and administrative expenses	1,541,214	1,340,453	200,761	15.0	
Operating profit	595,118	563,954	31,164	5.5	
Other expenses	3,210	2,599	611	23.5	
Interest expense, net	118,035	96,387	21,648	22.5	
Income before income tax expense	473,873	464,968	8,905	1.9	
Income tax expense	45,018	60,449	(15,431)	(25.5)	
Net income	$428,855	$404,519	$24,336	6.0	%

Net Sales

Higher net sales primarily due to the following:

- Incremental net sales of $445 million and $160 million, from our acquisitions of Hanes Europe Innerwear in August 2014 and Knights Apparel in April 2015, respectively;
- Growth in our Gear for Sports business within the college bookstore channel and Champion products in mid-tier, department and sporting goods stores; and
- Price increases and strong performance from our ComfortBlend, X-Temp and ComfortFlex Fit innovative platforms.

Offset by lower net sales resulting from:

- Impact from the 53rd week in 2014;
- The exit of a significant retailer in Canada;
- Lower shipments in our basics products driven by inventory adjustments at a major mass retailer;
- The impact of weather on retail traffic and seasonal product lines;
- The planned exit of certain acquired private label programs; and
- Unfavorable foreign currency exchange rates. Excluding this impact, consolidated net sales and International segment net sales increased 9% and 54%, respectively.

Gross Profit

The increase in gross profit was attributable to results obtained from our recent acquisitions of Hanes Europe Innerwear and Knights Apparel combined with our supply chain efficiencies, product pricing within our intimates business and favorable product mix within our Activewear segment. Included within gross profit are charges of approximately $63 million and $73 million related to acquisition, integration and other action related costs in 2015 and 2014, respectively.

Selling, General and Administrative Expenses

As a percentage of net sales, our selling, general and administrative expenses were 26.9% in 2015 compared to 25.2% in 2014. The higher selling, general and administrative expenses were primarily attributable to charges of $203 million related to acquisition, integration and other action related costs in 2015, compared to $126 million of acquisition, integration and other action related costs in 2014. Also included in 2015 were incremental selling, general and administrative costs of $190 million and $21 million related to Hanes Europe Innerwear and Knights Apparel, respectively. Exclusive of the impact of higher acquisition, integration and other action related costs and the purchases of Hanes Europe Innerwear and Knights Apparel, selling, general and administrative expenses were lower due to tight cost control and synergies gained from the Maidenform acquisition.

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Other Highlights

Interest Expense – higher by $22 million in 2015 compared to 2014 primarily due to higher debt balances related to the acquisition of Knights Apparel and our investment in working capital. Our weighted average interest rate on our outstanding debt was 3.75% during 2015, compared to 4.05% during 2014.

Income Tax Expense – our effective income tax rate was 9.5% and 13.0% in 2015 and 2014, respectively. The lower effective income tax rate was primarily attributable to income tax benefits of approximately $56 million recognized in 2015 resulting from the completion of the Internal Revenue Service audit examination of the 2011 and 2012 tax years and the remeasurement of certain unrecognized tax benefits. Offsetting these tax benefits, we elected to repatriate approximately $124 million of current year foreign earnings. In 2014, there were net discrete tax benefits of approximately $10 million primarily related to the realization of unrecognized tax benefits resulting from the lapsing of domestic and foreign statutes of limitations.

Operating Results by Business Segment — Year Ended January 2, 2016 (“2015”) Compared with Year Ended January 3, 2015 (“2014”)

	Net Sales Years Ended		Operating Profit Years Ended	
	January 2, 2016	January 3, 2015	January 2, 2016	January 3, 2015
	(dollars in thousands)			
Innerwear	$2,649,399	$2,707,474	$601,514	$561,507
Activewear	1,561,201	1,410,036	252,077	200,952
Direct to Consumer	388,312	409,028	26,377	37,867
International	1,132,637	798,208	107,997	89,479
Corporate	—	—	(392,847)	(325,851)
Total	$5,731,549	$5,324,746	$595,118	$563,954

Innerwear

	Years Ended January 2, 2016	January 3, 2015	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$2,649,399	$2,707,474	$(58,075)	(2.1)%
Segment operating profit	601,514	561,507	40,007	7.1

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

- Lower shipments of basics products due to inventory adjustments at a major mass retailer;
- The 53rd week in 2014;
- Impact of weather resulting in weaker holiday traffic at stores; and
- The planned exit of certain acquired private label programs;

Offset by:

- Price increases and strong performance from our ComfortBlend, X-Temp and ComfortFlex Fit innovation platforms.

Margin expansion was driven by product pricing and favorable product mix driven by our innovative platforms. Selling, general and administrative costs in 2015 were lower in 2015 primarily due to tight cost control and continued synergies gained from the Maidenform acquisition.

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Activewear

	Years Ended				
	January 2, 2016	January 3, 2015	Higher (Lower)	Percent Change	
	(dollars in thousands)				
Net sales	$1,561,201	$1,410,036	$151,165	10.7	%
Segment operating profit	252,077	200,952	51,125	25.4	

Activewear sales increased due to the following:

- Growth in our sports apparel business resulting from our acquisition of Knights Apparel in April 2015 and higher net sales by Gear for Sports in the college bookstore channel; and
- Higher net sales in our Champion branded product in the mid-tier and department stores channel and sporting goods stores;

Offset by:

- Lower net sales from the impact of weather on retail traffic and seasonal product lines.

Increase in operating profit was driven by our Knights Apparel acquisition, reduced costs as we insource certain products into our supply chain, favorable product mix and cost control.

Direct to Consumer

	Years Ended				
	January 2, 2016	January 3, 2015	Higher (Lower)	Percent Change	
	(dollars in thousands)				
Net sales	$388,312	$409,028	$(20,716)	(5.1)	%
Segment operating profit	26,377	37,867	(11,490)	(30.3)	

Direct to Consumer segment had lower net sales resulting from the 53rd week in 2014 and reduced consumer traffic in our outlet stores.

Direct to Consumer segment operating profit decreased primarily due to lower sales.

International

	Years Ended				
	January 2, 2016	January 3, 2015	Higher (Lower)	Percent Change	
	(dollars in thousands)				
Net sales	$1,132,637	$798,208	$334,429	41.9	%
Segment operating profit	107,997	89,479	18,518	20.7	

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

- Incremental sales of Hanes Europe Innerwear products as a result of its acquisition in August 2014;
- Higher sales volume in Asia due to net space gains;

Offset by:

- $95 million unfavorable impact of foreign currency exchange rates; and
- The exit of a significant retailer in Canada.

International segment operating margin decreased primarily due to higher selling, general and administrative expenses associated with Hanes Europe Innerwear and unfavorable foreign currency exchange rates.

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Corporate

Corporate expenses were comprised primarily of certain administrative costs and acquisition, integration and other action related charges totaling $266 million in 2015 as compared to $199 million in 2014. Acquisition and integration 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, infrastructure (including information technology), and similar charges. Maidenform acquisition and integration costs were completed in 2015. Foundational costs are expenses associated with building infrastructure to support and integrate current and future acquisitions. Foundational costs were completed in 2015. A significant majority of Other costs are non-cash and relate to the exit of our commercial sales organization in the China market. The main factors that drove the decision to exit the China market were primarily related to the fragmented underwear market and business practices for innerwear and activewear in China that were not conducive to our wholesale business model. Exiting China is immaterial to our consolidated financial results and to the International business.

	Years Ended	
	January 2, 2016	January 3, 2015
	(dollars in thousands)	
Acquisition and integration costs:		
Hanes Europe Innerwear	$138,116	$65,576
Maidenform	31,114	96,315
Knights Apparel	14,789	—
Total acquisition and integration costs	184,019	161,891
Foundational costs	47,786	5,110
Other costs	34,255	31,932
	$266,060	$198,933

Consolidated Results of Operations — Year Ended January 3, 2015 (“2014”) Compared with Year Ended December 28, 2013 (“2013”)

	Years Ended				
	January 3, 2015	December 28, 2013	Higher (Lower)	Percent Change	
	(dollars in thousands)				
Net sales	$5,324,746	$4,627,802	$696,944	15.1	%
Cost of sales	3,420,339	3,016,109	404,230	13.4	
Gross profit	1,904,407	1,611,693	292,714	18.2	
Selling, general and administrative expenses	1,340,453	1,096,507	243,946	22.2	
Operating profit	563,954	515,186	48,768	9.5	
Other expenses	2,599	17,501	(14,902)	(85.1)	
Interest expense, net	96,387	101,884	(5,497)	(5.4)	
Income before income tax expense	464,968	395,801	69,167	17.5	
Income tax expense	60,449	65,307	(4,858)	(7.4)	
Net income	$404,519	$330,494	$74,025	22.4	%

Net Sales

Net sales were $697 million higher in 2014 compared to 2013 due to the following:

- The acquisition of Maidenform in October 2013, which added an incremental $381 million of net sales in 2014;
- The acquisition of Hanes Europe Innerwear in August 2014, which added an incremental $291 million of net sales, during the final four months of 2014;

- Higher net sales of 8% in our Activewear segment due to higher sales volume and net space gains at retailers;
- An incremental $34 million in sales related to the 53rd week.

Offset by:

- Excluding the impact of Maidenform, we had lower net sales volume in our Innerwear segment;

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- Unfavorable foreign currency exchange rates. Excluding this impact, consolidated net sales and International segment net sales increased 16% and 69%, respectively.

Gross Profit

Our gross profit increased $293 million in 2014. The increase in gross profit was attributable to supply chain efficiencies and our Innovate-to-Elevate strategy, which combines our brand power, our innovation platforms and our low cost supply chain to drive margin expansion by increasing our price per unit and reducing our cost per unit. Included within gross profit in 2014 are charges of approximately $73 million 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 25.2% in 2014 compared to 23.7% in 2013. The higher selling, general and administrative expenses were attributable to charges of approximately $126 million related to acquisition, integration and other action related costs. Additionally, we incurred higher planned media spending and higher distribution costs due to increased sales volume in 2014 compared to 2013.

Other Highlights

Interest Expense – lower by $5 million in 2014 compared to 2013 primarily due to the lower weighted average interest rate. Our weighted average interest rate on our outstanding debt was 4.05% during 2014 compared to 5.07% in 2013.

Income Tax Expense – our effective income tax rate was 13.0% and 16.5% for 2014 and 2013, respectively. The lower effective income tax rate was primarily attributable to a lower proportion of earnings attributed to domestic subsidiaries, which are taxed at rates higher than foreign subsidiaries. In 2014, there were net discrete tax benefits of approximately $10 million primarily related to the realization of unrecognized tax benefits resulting from the lapsing of domestic and foreign statutes of limitations. In 2013, there were net discrete tax benefits of approximately $20 million primarily related to the realization of unrecognized tax benefits resulting from the lapsing of domestic and foreign statutes of limitations as well as the retroactive application of the American Taxpayer Relief Act of 2012 that was signed into law in January 2013.

Operating Results by Business Segment — Year Ended January 3, 2015 (“2014”) Compared with Year Ended December 28, 2013 (“2013”)

	Net Sales Years Ended		Operating Profit Years Ended	
	January 3, 2015	December 28, 2013	January 3, 2015	December 28, 2013
	(dollars in thousands)			
Innerwear	$2,707,474	$2,444,935	$561,507	$476,398
Activewear	1,410,036	1,306,936	200,952	177,749
Direct to Consumer	409,028	380,079	37,867	32,237
International	798,208	495,852	89,479	42,350
Corporate	—	—	(325,851)	(213,548)
Total	$5,324,746	$4,627,802	$563,954	$515,186

Innerwear

	Years Ended			
	January 3, 2015	December 28, 2013	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$2,707,474	$2,444,935	$262,539	10.7 %
Segment operating profit	561,507	476,398	85,109	17.9

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

- Incremental sales of Maidenform products;
- Higher sales in our basics product category, specifically in socks and womens panties, primarily due to higher product pricing;

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- Higher sales in our licensed products, primarily due to higher sales volume.

Offset by:

- Lower sales in the intimates and hosiery product categories, excluding Maidenform products, as a result of lower sales volume.

Supply chain efficiencies and our Innovate-to-Elevate strategy continue to positively impact our Innerwear segment margins as we are able to increase our price per unit with product innovations and reduce our cost per unit. Offsetting the improvement were higher distribution costs and higher planned media spending.

Activewear

	Years Ended January 3, 2015	December 28, 2013	Higher (Lower)	Percent Change	
	(dollars in thousands)				
Net sales	$1,410,036	$1,306,936	$103,100	7.9	%
Segment operating profit	200,952	177,749	23,203	13.1	

Activewear sales increased due to the following:

- Higher sales in our Gear for Sports licensed apparel, primarily due to net space gains and higher point of sales activity at the retail level;
- Higher sales for our Champion branded product in our retail channel, primarily due to net space gains at retailers;
- Higher sales for our Hanes branded product in both the retail channel and branded printwear, primarily as a result of higher sales volume and new product introductions.

Our Innovate-to-Elevate strategy continues to positively impact our Activewear segment margins as we are able to increase our price per unit with product innovations and reduce our cost per unit. Offsetting these benefits were higher distribution costs and unfavorable product mix.

Direct to Consumer

	Years Ended January 3, 2015	December 28, 2013	Higher (Lower)	Percent Change	
	(dollars in thousands)				
Net sales	$409,028	$380,079	$28,949	7.6	%
Segment operating profit	37,867	32,237	5,630	17.5	

Direct to Consumer segment net sales were higher due to the addition of Maidenform sales. Comparable store sales were 2% lower in 2014 compared to 2013 resulting from the soft retail environment compounded by the unusually high weather-related temporary store closures occurring in the first quarter of 2014.

Direct to Consumer segment operating margin increased primarily due to favorable sales mix.

International

	Years Ended January 3, 2015	December 28, 2013	Higher (Lower)	Percent Change	
	(dollars in thousands)				
Net sales	$798,208	$495,852	$302,356	61.0	%
Segment operating profit	89,479	42,350	47,129	111.3	

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

- Incremental sales of Hanes Europe Innerwear products;
- Incremental sales of Maidenform products;

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Offset by:

- 8 percentage point unfavorable impact of foreign currency exchange rates.

International segment operating margin increased primarily due to higher sales volume, partially offset by foreign currency exchange rates.

Corporate

Corporate expenses were comprised primarily of certain administrative costs and acquisition, integration and other action related charges totaling $199 million in 2014 as compared to $81 million in 2013. Acquisition and integration 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, infrastructure (including information technology), and similar charges. Foundational costs are expenses associated with building infrastructure to support and integrate current and future acquisitions; primarily consisting of information technology spend. A significant majority of Other costs are non-cash and relate to the exit of our commercial sales organization in the China market. The main factors that drove the decision to exit the China market were primarily related to the fragmented underwear market and business practices for innerwear and activewear in China that were not conducive to our wholesale business model. Exiting China is immaterial to our consolidated financial results and inconsequential to the International business.

	Years Ended	
	January 3, 2015	December 28, 2013
	(dollars in thousands)	
Acquisition and integration costs:		
Maidenform	$96,315	$72,735
Hanes Europe Innerwear	65,576	—
Total acquisition and integration costs	161,891	72,735
Foundational costs	5,110	4,930
Other costs	31,932	3,125
	$198,933	$80,790

Liquidity and Capital Resources

Trends and Uncertainties Affecting Liquidity

Our primary sources of liquidity are cash generated by operations and availability under our Revolving Loan Facility, Accounts Receivable Securitization Facility and international loan facilities. At January 2, 2016, we had $921 million of borrowing availability under our $1 billion Revolving Loan Facility (after taking into account outstanding letters of credit), $80 million of borrowing availability under our $275 million Accounts Receivable Securitization Facility, $110 million of short-term borrowing availability under our international loan facilities and $319 million in cash and cash equivalents. We currently believe that our existing cash balances and cash generated by operations, together with our available credit capacity, will enable us to comply with the terms of our indebtedness and meet foreseeable liquidity requirements.

The following have impacted or are expected to impact liquidity:

- we have principal and interest obligations under our debt;
- we acquired Hanes Europe Innerwear in August 2014 and Knights Apparel in April 2015 and we may pursue strategic acquisitions in the future;
- we expect to continue to invest in efforts to improve operating efficiencies and lower costs;
- we made a $100 million contribution to our pension plans in January 2015 and a $40 million contribution in January 2016;
- we may increase or decrease the portion of the current-year income of our foreign subsidiaries that we remit to the United States, which could significantly impact our effective income tax rate;

- our Board of Directors has authorized a regular quarterly dividend; and
- our Board of Directors has authorized the repurchase of up to 40 million shares of our stock in the open market (12.1 million of which were repurchased during 2015 at a cost of $352 million). Since inception of the program, we have purchased 23.5 million shares, leaving 16.5 million shares authorized for repurchase under the program.

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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. We expect our cash deployment strategy in the future will include a mix of dividends, acquisitions and share repurchases.

Cash Requirements for Our Business

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

Pension Plans

In January 2016, we made a voluntary contribution of $40 million to our pension plans. As a result of this contribution, our U.S. qualified pension plan is approximately 104% funded as of January 2, 2016 compared to 104% funded as of January 3, 2015, under the Pension Protection Act funding rules. We are not required to make any additional cash contributions to our pension plans in 2016 based on a preliminary calculation by our actuary. We may elect to make additional voluntary contributions during 2016 to maintain certain funded levels. See Note, “Defined Pension Benefit Plans,” to our financial statements for more information on the plan asset and pension expense components.

Share Repurchase Program

On February 1, 2007, we announced that our Board of Directors granted authority for the repurchase of up to 40 million shares of our common stock. Share repurchases are made periodically in open-market transactions, and are subject to market conditions, legal requirements and other factors. Additionally, management has been granted authority to establish a trading plan under Rule 10b5-1 of the Exchange Act in connection with share repurchases, which will allow us to repurchase shares in the open market during periods in which the stock trading window is otherwise closed for our company and certain of our officers and employees pursuant to our insider trading policy. During 2015, we purchased 12.1 million shares of our common stock at a cost of $352 million (average price of $28.91). Since inception of the program, we have purchased 23.5 million shares of our common stock at a cost of $426 million (average price per share of $18.13). The primary objective of our share repurchase program is to reduce the impact of dilution caused by the exercise of options and vesting of stock unit awards, as well as utilize excess cash flow to generate shareholder value. While we may repurchase additional stock under the program, we may choose not to repurchase any stock and focus more on other uses of cash in the next 12 months.

Dividends

As part of our cash deployment strategy, in 2013, our Board of Directors declared our first dividends of $0.05 per share on outstanding common stock, which were paid in 2013. Prior to that declaration, we had not paid a cash dividend on our common stock.

In 2014, our Board of Directors declared dividends of $0.075 per share on outstanding common stock which were paid in 2014.

In January 2015, April 2015, July 2015 and October 2015, our Board of Directors declared dividends of $0.10 per share on outstanding common stock which were paid on March 3, 2015, June 11, 2015, September 9, 2015 and December 8, 2015. In addition, the Board of Directors authorized a four-for-one stock split in the form of a 300% stock dividend, which was implemented on March 3, 2015 to stockholders of record at the close of business on February 9, 2015.

In January 2016, our Board of Directors declared a regularly quarterly cash dividend of $0.11 per share on outstanding common stock to be paid on March 8, 2016 to stockholders of record at the close of business day on February 16, 2016.

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.

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Future Contractual Obligations and Commitments

The following table contains information on our contractual obligations and commitments as of January 2, 2016, and their expected timing on future cash flows and liquidity.

		Payments Due by Period			
(dollars in thousands)	At January 2, 2016	Fiscal 2016	Fiscal 2017-2018	Fiscal 2019-2020	Fiscal 2021 and Thereafter
Operating activities:					
Interest on debt obligations (1)	$586,970	$121,098	$239,042	$206,272	$20,558
Inventory purchase obligations	341,324	334,235	7,089	—	—
Operating lease obligations	419,950	82,660	137,475	84,921	114,894
Marketing and advertising obligations	42,722	33,184	4,610	4,928	—
Other long-term obligations (2)	320,984	71,640	128,254	89,364	31,726
Investing activities:					
Capital expenditures	27,600	27,600	—	—	—
Financing activities:					
Debt	2,506,981	252,819	153,500	1,587,001	513,661
Notes payable	117,785	117,785	—	—	—
Total	$4,364,316	$1,041,021	$669,970	$1,972,486	$680,839

(1) Interest obligations on floating rate debt instruments are calculated for future periods using interest rates in effect at January 2, 2016.

(2) Represents the projected payment for long-term liabilities recorded on the Consolidated Balance Sheet for certain employee benefit claims, royalty-bearing license agreement payments, deferred compensation, capital leases and uncertain tax positions.

Funding contributions to our defined benefit pension plans are not included in the table above because it is uncertain whether or when further contributions will be required. We are not required to make any additional cash contributions to our pension plans in 2016 based on a preliminary calculation by our actuary. In January 2016, we made a voluntary contribution of $40 million. We may elect to make additional voluntary contributions during 2016 to maintain certain funded levels.

Sources and Uses of Our Cash

The information presented below regarding the sources and uses of our cash flows for the years ended January 2, 2016 and January 3, 2015 was derived from our financial statements.

	Years Ended	
	January 2, 2016	January 3, 2015
	(dollars in thousands)	
Operating activities	$227,007	$508,090
Investing activities	(276,800)	(358,315)
Financing activities	132,982	(23,765)
Effect of changes in foreign currency exchange rates on cash	(3,875)	(2,018)
Change in cash and cash equivalents	79,314	123,992
Cash and cash equivalents at beginning of year	239,855	115,863
Cash and cash equivalents at end of year	$319,169	$239,855

Operating Activities

Our overall liquidity is primarily driven by our strong cash flow provided by operating activities, which is dependent on net income and changes in working capital. Although net income increased in 2015 from improved operating performance, cash flow provided by operating activities decreased in 2015 compared to 2014 due to the following:

- The build in inventory levels in 2015. In 2016 we expect to reduce our inventory levels through adjustments to our manufacturing production schedule, internalizing additional production and by drawing down our raw materials and work-in-process;
- $100 million pension contribution in 2015; and

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- Decreased accounts receivable collections in 2015 due to the timing of sales within the fourth quarter year-over-year.

Investing Activities

The lower net cash used for investing activities was primarily the result of the net cash of $193 million used for the acquisition of Knights Apparel in April 2015 as compared to the net cash used for the acquisition of Hanes Europe Innerwear in August 2014 of $360 million and 2014 proceeds from the sale of investments of $64 million, offset by higher net capital expenditures of $27 million in 2015.

Financing Activities

The higher net cash from financing activities was primarily the result of higher net cash borrowings on our loan facilities, specifically new borrowings under the Senior Secured Credit Facility. The decision to increase our net borrowings was driven by our cash deployment strategy and utilized for acquisitions, share repurchases and quarterly dividends in order to continue generating shareholder value.

Financing Arrangements

We believe our financing structure provides a secure base to support our operations and key business strategies. As of January 2, 2016, we were in compliance with all financial covenants under our credit facilities and other outstanding indebtedness discussed below. We continue to monitor our covenant compliance carefully in this difficult economic environment. We expect to maintain compliance with our covenants during 2016, however economic conditions or the occurrence of events discussed above under “Risk Factors” could cause noncompliance.

We have significant liquidity from our available cash balances and credit facilities. We maintain a senior secured credit facility (the “Senior Secured Credit Facility”) consisting of a Revolving Loan Facility of $1,000,000, a $725,000 term loan a facility (the “Term Loan A”), a $425,000 term loan b facility (the “Term Loan B”) and a €363,000 euro term loan facility (the “Euro Term Loan Facility”). Our Accounts Receivable Securitization Facility provides for up to $275,000 in funding accounted for as a secured borrowing, limited to the availability of eligible receivables, and is secured by certain domestic trade receivables. As of January 2, 2016, $920,817 of our Revolving Loan Facility was available for borrowing. Refer to Note, “Debt”, for a complete overview of our credit facilities.

Notes Payable

Notes payable were $118 million at January 2, 2016 and $144 million at January 3, 2015. At January 2, 2016, we had $110 million of borrowing availability under our international loan facilities.

Undistributed Earnings from Foreign Subsidiaries

As of January 2, 2016, the cumulative amount of undistributed earnings from our foreign subsidiaries was approximately $2.7 billion, of which $319 million of cash and cash equivalents was held by foreign subsidiaries whose undistributed earnings are considered permanently reinvested, and less than $1 million of cash and cash equivalents was held by foreign subsidiaries whose undistributed earnings are not considered permanently reinvested. Our intention is to reinvest the cash and cash equivalents of those entities whose undistributed earnings we have previously asserted as being permanently reinvested in our international operations. We reassess our reinvestment assertions each reporting period and currently believe that we have sufficient other sources of liquidity to support our assertion that such undistributed earnings held by foreign subsidiaries may be considered to be reinvested permanently.

We repatriated $124 million, $15 million and $10 million in 2015, 2014 and 2013, respectively, from earnings generated in such years. The amount of the current year foreign earnings that we have repatriated in the past has been determined, and the amount that we expect to repatriate during 2016 will be determined, based upon a variety of factors including current year earnings of the foreign subsidiaries, foreign investment needs and the cash flow needs we have in the U.S., such as for the repayment of debt and other domestic obligations. The majority of our repatriation of the earnings of foreign subsidiaries has historically occurred at year-end, although we may always repatriate funds earlier in the year based on the needs of our business. When we repatriate funds to the U.S., we are required to pay taxes on these amounts based on applicable U.S. tax rates, net of any foreign tax that would be allowed to be deducted or taken as a credit against U.S. income tax. There was a cost of $43 million, $1 million and $1 million in additional U.S. federal income taxes in 2015, 2014 and 2013, respectively, as a result of repatriation of foreign earnings generated in such years.

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Critical Accounting Policies and Estimates

We have chosen accounting policies that we believe are appropriate to accurately and fairly report our operating results and financial condition in conformity with accounting principles generally accepted in the United States. We apply these accounting policies in a consistent manner. Our significant accounting policies are discussed in Note, "Summary of Significant Accounting Policies," to our financial statements.

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 described below:

Sales Recognition and Incentives

We recognize revenue when (i) there is persuasive evidence of an arrangement, (ii) the sales price is fixed or determinable, (iii) title and the risks of ownership have been transferred to the customer and (iv) collection of the receivable is reasonably assured, which occurs primarily upon shipment. We record provisions for any uncollectible amounts based upon our historical collection statistics and current customer information. Our management reviews these estimates each quarter and makes adjustments based upon actual experience.

Note, "Summary of Significant Accounting Policies" (d), "Summary of Significant Accounting Policies — Sales Recognition and Incentives," to our financial statements describes a variety of sales incentives that we offer to resellers and consumers of our products. Measuring the cost of these incentives requires, in many cases, estimating future customer utilization and redemption rates. We use historical data for similar transactions to estimate the cost of current incentive programs. Our management reviews these estimates each quarter and makes adjustments based upon actual experience and other available information. We classify the costs associated with cooperative advertising as a reduction of "Net sales" in our Consolidated Statements of Income.

Accounts Receivable Valuation

Accounts receivable consist primarily of amounts due from customers. We carry our accounts receivable at their net realizable value. In determining the appropriate allowance for doubtful accounts, we consider a combination of factors, such as the aging of trade receivables, industry trends, and our customers' financial strength, credit standing and payment and default history. Changes in the aforementioned factors, among others, may lead to adjustments in our allowance for doubtful accounts. The calculation of the required allowance requires judgment by our management as to the impact of these and other factors on the ultimate realization of our trade receivables. Charges to the allowance for doubtful accounts are reflected in the "Selling, general and administrative expenses" line and charges to the allowance for customer chargebacks and other customer deductions are primarily reflected as a reduction in the "Net sales" line of our Consolidated Statements of Income. Our management reviews these estimates each quarter and makes adjustments based upon actual experience. Because we cannot predict future changes in the financial stability of our customers, actual future losses from uncollectible accounts may differ from our estimates. If the financial condition of our customers were to deteriorate, resulting in their inability to make payments, a large reserve might be required. The amount of actual historical losses has not varied materially from our estimates for bad debts.

Inventory Valuation

We carry inventory on our balance sheet at the estimated lower of cost or market. Cost is determined by the first-in, first-out, or "FIFO," method for our inventories. We carry obsolete, damaged and excess inventory at the net realizable value, which we determine by assessing historical recovery rates, current market conditions and our future marketing and sales plans. Because our assessment of net realizable value is made at a point in time, there are inherent uncertainties related to our value determination. Market factors and other conditions underlying the net realizable value may change, resulting in further reserve requirements. A reduction in the carrying amount of an inventory item from cost to market value creates a new cost basis for the item that cannot be reversed at a later period. While we

believe that adequate write-downs for inventory obsolescence have been provided in the financial statements, consumer tastes and preferences will continue to change and we could experience additional inventory write-downs in the future.

Rebates, discounts and other cash consideration received from a vendor related to inventory purchases are reflected as reductions in the cost of the related inventory item, and are therefore reflected in cost of sales when the related inventory item is sold.

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Income Taxes

Deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the income tax basis of our assets and liabilities, as well as for realizable operating loss and tax credit carryforwards, at tax rates in effect for the years in which the differences are expected to reverse. Realization of deferred tax assets is dependent on future taxable income in specific jurisdictions, the amount and timing of which are uncertain, and on possible changes in tax laws and tax planning strategies. If in our judgment it appears that it is more likely than not that all or some portion of the asset will not be realized, valuation allowances are established against our deferred tax assets, which increase income tax expense in the period when such determination is made.

We have not provided federal income taxes on that portion of our foreign subsidiaries' undistributed earnings that is permanently reinvested in their respective foreign jurisdictions. If we decided to remit those earnings to the U.S. in a future period due to anticipated cash flow or other business requirements, our federal income tax provision and effective tax rate could be impacted.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. These assessments of uncertain tax positions contain judgments related to the interpretation of tax regulations in the jurisdictions in which we transact business. The judgments and estimates made at a point in time may change based on the outcome of tax audits, expiration of statutes of limitations, as well as changes to, or further interpretations of, tax laws and regulations. Income tax expense is adjusted in our Consolidated Statements of Income in the period in which these events occur.

Stock Compensation

We established the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (the "Omnibus Incentive Plan") to award stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units, performance shares and cash to our employees, non-employee directors and employees of our subsidiaries to promote the interest of our company and incent performance and retention of employees. Stock-based compensation is estimated at the grant date based on the award's fair value and is recognized as expense over the requisite service period. We estimate forfeitures for stock-based awards granted that are not expected to vest. If any of these inputs or assumptions changes significantly, our stock-based compensation expense could be materially different in the future.

Defined Benefit Pension Plans

For a discussion of our net periodic benefit cost, plan obligations, plan assets and how we measure the amount of these costs, see Note, "Defined Benefit Pension Plans," to our consolidated financial statements. The funded status of our defined benefit pension plans are recognized on our balance sheet. Differences between actual results in a given year and the actuarially determined assumed results for that year are deferred as unrecognized actuarial gains or losses in comprehensive income. We measure the funded status of our plans as of the date of our fiscal year end.

The net periodic cost of the pension plans is determined using projections and actuarial assumptions, the most significant of which are the discount rate and the long-term rate of asset return. The net periodic pension income or expense is recognized in the year incurred. Gains and losses, which occur when actual experience differs from actuarial assumptions, are amortized over the average future expected life of participants. As benefits under the Hanesbrands Inc. Pension Plan are frozen, year over year fluctuations in our pension expense are not expected to be material and not expected to have a material impact on our Consolidated Statements of Income.

Our policies regarding the establishment of pension assumptions are as follows:

- In determining the discount rate, we utilized the Aon Hewitt AA Above Median Curve (rounded to the nearest 10 basis points) in order to determine a unique interest rate for each plan and match the expected cash flows for each plan. Beginning in 2016, we will begin utilizing specific spot rates along the full yield curve in our determination of discount rates, for our U.S. defined benefit plans, in order to determine our interest rate and match to the relevant cash flows for the plans. This change will improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of interest costs.
-

Salary increase assumptions were based on historical experience and anticipated future management actions. The salary increase assumption only applies to the Canadian plans, certain Hanes Europe Innerwear plans and portions of the Hanesbrands nonqualified retirement plans, as benefits under these plans are not frozen. The benefits under the Hanesbrands Inc. Pension Plan were frozen as of December 31, 2005.

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- In determining the long-term rate of return on plan assets we applied a proportionally weighted blend between assuming the historical long-term compound growth rate of the plan portfolio would predict the future returns of similar investments, and the utilization of forward-looking assumptions.
- Retirement rates were based primarily on actual experience while standard actuarial tables were used to estimate mortality. In 2015, the tables used as a basis for the mortality assumption were updated from the RP-2000 table and AA scale to the RP-2015 table and MP-2015 scale, respectively.

The sensitivity of changes in actuarial assumptions on our annual pension expense and on our plans' benefit obligations, all other factors being equal, is illustrated by the following:

(in millions)	Increase (Decrease) in Pension Expense	Benefit Obligation
1% decrease in discount rate	$—	$152
1% increase in discount rate	—	(123)
1% decrease in expected investment return	8	N/A
1% increase in expected investment return	(8)	N/A

Trademarks and Other Identifiable Intangibles

Trademarks, license agreements, customer and distributor relationships and computer software are our primary identifiable intangible assets. We amortize identifiable intangibles with finite lives over their estimated useful lives, and we do not amortize identifiable intangibles with indefinite lives. We base the estimated useful life of an identifiable intangible asset upon a number of factors, including the effects of demand, competition, expected changes in distribution channels and the level of maintenance expenditures required to obtain future cash flows. As of January 2, 2016, the net book value of trademarks and other identifiable intangible assets was $701 million, of which we are amortizing a balance of $211 million. We anticipate that our amortization expense for 2016 will be $20 million.

We evaluate identifiable intangible assets subject to amortization for impairment using a process similar to that used to evaluate asset amortization described below under "— Depreciation and Impairment of Property, Plant and Equipment." We assess identifiable intangible assets not subject to amortization for impairment at least annually, as of the first day of the third fiscal quarter, and more often as triggering events occur. In order to determine the impairment of identifiable intangible assets, we compare the fair value of the intangible asset to its carrying amount. Fair values of intangible assets are primarily based on future cash flows projected to be generated from that asset. We recognize an impairment loss for the amount by which an identifiable intangible asset's carrying value exceeds its fair value.

Goodwill

As of January 2, 2016, we had $834 million of goodwill. We do not amortize goodwill, but we assess for impairment at least annually and more often as triggering events occur. The timing of our annual goodwill impairment testing is the first day of the third fiscal quarter. The estimated fair values significantly exceeded the carrying values of each of our reporting units as of the first day of the third fiscal quarter, and no impairment of goodwill was identified as a result of the testing conducted in 2015.

In evaluating the recoverability of goodwill in 2015, we estimated the fair value of our reporting units. We relied on a number of factors to determine the fair value of our reporting units and evaluate various factors to discount anticipated future cash flows, including operating results, business plans and present value techniques. As discussed above under "Trademarks and Other Identifiable Intangibles," there are inherent uncertainties related to these factors, and our judgment in applying them and the assumptions underlying the impairment analysis may change in such a manner that impairment in value may occur in the future. Such impairment will be recognized in the period in which it becomes known.

Assets and Liabilities Acquired in Business Combinations

We account for business combinations using the purchase method, which requires us to allocate the cost of an acquired business to the acquired assets and liabilities based on their estimated fair values at the acquisition date. We

recognize the excess of an acquired business' cost over the fair value of acquired assets and liabilities as goodwill. We use a variety of information sources to determine the fair value of acquired assets and liabilities. We generally use third party appraisers to determine the fair value and lives of property and identifiable intangibles, consulting actuaries to assist in determining the fair value of obligations associated with defined benefit pension plans and legal counsel to assess obligations associated with legal and environmental claims.

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Depreciation and Impairment of Property, Plant and Equipment

We state property, plant and equipment at its historical cost, and we compute depreciation using the straight-line method over the asset's life. We estimate an asset's life based on historical experience, manufacturers' estimates, engineering or appraisal evaluations, our future business plans and the period over which the asset will economically benefit us, which may be the same as or shorter than its physical life. Our policies require that we periodically review our assets' remaining depreciable lives based upon actual experience and expected future utilization. A change in the depreciable life is treated as a change in accounting estimate and the accelerated depreciation is accounted for in the period of change and future periods.

We test an asset for recoverability whenever events or changes in circumstances indicate that its carrying value may not be recoverable. Such events include significant adverse changes in business climate, several periods of operating or cash flow losses, forecasted continuing losses or a current expectation that an asset or asset group will be disposed of before the end of its useful life. We evaluate an asset's recoverability by comparing the asset or asset group's net carrying amount to the future net undiscounted cash flows we expect such asset or asset group will generate. If we determine that an asset is not recoverable, we recognize an impairment loss in the amount by which the asset's carrying amount exceeds its estimated fair value.

When we recognize an impairment loss for an asset held for use, we depreciate the asset's adjusted carrying amount over its remaining useful life. We do not restore previously recognized impairment losses if circumstances change.

Recently Issued Accounting Pronouncements

For a summary of recently issued accounting pronouncements, see Note, "Summary of Significant Accounting Policies" to our financial statements included in this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in foreign exchange rates, interest rates and commodity prices. Our risk management control system uses analytical techniques including market value, sensitivity analysis and value at risk estimations.

Foreign Exchange Risk

We sell the majority of our products in transactions denominated in U.S. dollars; however, we purchase some raw materials, pay a portion of our wages and make other payments in our supply chain in foreign currencies. Our exposure to foreign exchange rates exists primarily with respect to the Euro, Canadian dollar, Australian dollar, Mexican peso and Japanese yen against the U.S. dollar. We use foreign exchange forward contracts to hedge material exposure to adverse changes in foreign exchange rates. A sensitivity analysis technique has been used to evaluate the effect that changes in the market value of foreign exchange currencies will have on our forward and option contracts. At January 2, 2016, the potential change in fair value of foreign currency derivative instruments, assuming a 10% adverse change in the underlying currency price, was $26 million.

Interest Rates

Our debt under the Revolving Loan Facility, Accounts Receivable Securitization Facility, Term Loan A, Term Loan B, Euro Term Loan and Other International Debt bears interest at variable rates. As a result, we are exposed to changes in market interest rates that could impact the cost of servicing our debt. Approximately 40% of our total debt outstanding at January 2, 2016 is at a fixed rate. A 25-basis point movement in the annual interest rate charged on the outstanding debt balances as of January 2, 2016 would only result in a change in annual interest expense of approximately $4 million.

Commodities

We are exposed to commodity price fluctuations primarily as a result of the cost of materials that are used in our manufacturing process. Cotton is the primary raw material used in manufacturing many of our products. Under our current agreements with our primary yarn suppliers, we have the ability to periodically fix the cotton cost component of our yarn purchases so that the suppliers bear the risk of cotton price fluctuation for the specified yarn volume and interim fluctuations in the price of cotton do not impact our costs. However, our business can be affected by sustained

dramatic movements in cotton prices.

In addition, fluctuations in crude oil or petroleum prices may influence the prices of other raw materials we use to manufacture our products, such as chemicals, dyestuffs, polyester yarn and foam, as well as affect our transportation and utility costs. We generally purchase raw materials at market prices.

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Item 8. Financial Statements and Supplementary Data

Our financial statements required by this item are contained on pages F-1 through F-49 of this Annual Report on Form 10-K. See Item 15(a)(1) for a listing of financial statements provided.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure 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.

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management’s annual report on internal control over financial reporting and the report of independent registered public accounting firm are incorporated by reference to pages F-2 and F-3 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

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. We excluded our wholly owned subsidiary, Knights Apparel from our assessment of internal control over financial reporting as of January 2, 2016 because our control over the operation was acquired in a purchase business combination during 2015.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this Item 10 regarding our executive officers is included in Item 1C of this Annual Report on Form 10-K. We will provide other information that is responsive to this Item 10 in our definitive proxy statement or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report. That information is incorporated in this Item 10 by reference.

Item 11. Executive Compensation

We will provide information that is responsive to this Item 11 in our definitive proxy statement or in an amendment to this Annual Report on Form 10-K not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K. That information is incorporated in this Item 11 by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

We will provide information that is responsive to this Item 12 in our definitive proxy statement or in an amendment to this Annual Report on Form 10-K not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K. That information is incorporated in this Item 12 by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

We will provide information that is responsive to this Item 13 in our definitive proxy statement or in an amendment to this Annual Report on Form 10-K not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K. That information is incorporated in this Item 13 by reference.

Item 14. Principal Accounting Fees and Services

We will provide information that is responsive to this Item 14 in our definitive proxy statement or in an amendment to this Annual Report on Form 10-K not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K. That information is incorporated in this Item 14 by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

The financial statements listed in the accompanying Index to Consolidated Financial Statements on page F-1 are filed as part of this Report.

(a)(3) Exhibits

See “Index to Exhibits” beginning on page E-1, which is incorporated by reference herein. The Index to Exhibits lists all exhibits filed with this Report and identifies which of those exhibits are management contracts and compensatory plans or arrangements.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on the 5th day of February, 2016.

HANESBRANDS INC.

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

POWER OF ATTORNEY

KNOW BY ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints jointly and severally, Richard A. Noll, Richard D. Moss and Joia M. Johnson, and each one of them, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Capacity	Date
/s/ Richard A. Noll Richard A. Noll	Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)	February 5, 2016
/s/ Richard D. Moss Richard D. Moss	Chief Financial Officer (principal financial officer)	February 5, 2016
/s/ M. Scott Lewis M. Scott Lewis	Chief Accounting Officer and Controller (principal accounting officer)	February 5, 2016
/s/ Bobby J. Griffin Bobby J. Griffin	Director	February 5, 2016
/s/ James C. Johnson James C. Johnson	Director	February 5, 2016
/s/ Jessica T. Mathews Jessica T. Mathews	Director	February 5, 2016
/s/ Franck J. Moison Franck J. Moison	Director	February 5, 2016
/s/ Robert F. Moran Robert F. Moran	Director	February 5, 2016
/s/ J. Patrick Mulcahy J. Patrick Mulcahy	Director	February 5, 2016

/s/ Ronald L. Nelson Ronald L. Nelson	Director	February 5, 2016
/s/ Andrew J. Schindler Andrew J. Schindler	Director	February 5, 2016
/s/ David V. Singer David V. Singer	Director	February 5, 2016

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/s/ Ann E. Ziegler Ann E. Ziegler	Director	February 5, 2016

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INDEX TO EXHIBITS

References in this Index to Exhibits to the "Registrant" are to Hanesbrands Inc. The Registrant will furnish you, without charge, a copy of any exhibit, upon written request. Written requests to obtain any exhibit should be sent to Corporate Secretary, Hanesbrands Inc., 1000 East Hanes Mill Road, Winston-Salem, North Carolina 27105.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of July 23, 2013, by and among Hanesbrands Inc., General Merger Sub Inc. and Maidenform Brands, Inc. (incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 24, 2013).
2.2	Share Purchase Agreement, dated August 25, 2014, by and among SLB Brands Holding, Ltd., certain individuals named therein, MFB International Holdings, S.À.R.L., Hanesbrands Inc., Société Civile de la Dune, and Gueshov Investissement 1 (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on August 26, 2014).
2.3	Supplement Deed to the Share Purchase Agreement, dated August 25, 2014, by and among SLB Brands Holding, Ltd., certain individuals named therein, MFB International Holdings, S.À.R.L., Hanesbrands Inc., Société Civile de la Dune and Gueshov Investissement 1(incorporated by reference to Exhibit 2.2 to the Registrant's Current Report on Form 8-K filed on August 26, 2014).
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 3.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 2, 2015).
4.1	

	Indenture, dated as of August 1, 2008 (the "2008 Indenture") among the Registrant, certain subsidiaries of the Registrant, and Branch Banking and Trust Company (incorporated by reference from Exhibit 4.3 to the Registrant's Registration Statement on Form S-3 (Commission file number 333-152733) filed with the Securities and Exchange Commission on August 1, 2008).
4.2	Fourth Supplemental Indenture (to the 2008 Indenture) dated November 9, 2010 among the Registrant, certain subsidiaries of the Registrant and Branch Banking and Trust Company (incorporated by reference from Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 10, 2010).
4.3	Sixth Supplemental Indenture (to the 2008 Indenture) dated July 1, 2013 among Hanesbrands Inc., certain subsidiaries of Hanesbrands Inc. and Branch Banking and Trust Company (incorporated by reference from Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-K filed with the Securities and Exchange Commission on October 31, 2013).
4.4	Eighth Supplemental Indenture (to the 2008 Indenture) dated September 11, 2013 among Hanesbrands Inc., certain subsidiaries of Hanesbrands Inc. and Branch Banking and Trust Company (incorporated by reference from Exhibit 4.4 to the Registrant's Quarterly Report on Form 10-K filed with the Securities and Exchange Commission on October 31, 2013).

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Exhibit Number	Description
4.5	Tenth Supplemental Indenture (to the 2008 Indenture) dated October 8, 2013 among Hanesbrands Inc., certain subsidiaries of Hanesbrands Inc. and Branch Banking and Trust Company (incorporated by reference from Exhibit 4.6 to the Registrant's Quarterly Report on Form 10-K filed with the Securities and Exchange Commission on October 31, 2013).
4.6	Twelfth Supplemental Indenture (to the 2008 Indenture) dated November 4, 2013 among Hanesbrands Inc., certain subsidiaries of Hanesbrands Inc. and Branch Banking and Trust Company (incorporated by reference from Exhibit 4.18 to the Registrant's Registration Statement on Form S-3 (Commission file number 333-192932) filed with the Securities and Exchange Commission on December 18, 2013).
4.7	Thirteenth Supplemental Indenture (to the 2008 Indenture) dated December 16, 2013 among Hanesbrands Inc., certain subsidiaries of Hanesbrands Inc. and Branch Banking and Trust Company (incorporated by reference from Exhibit 4.19 to the Registrant's Registration Statement on Form S-3 (Commission file number 333-192932) filed with the Securities and Exchange Commission on December 18, 2013).
4.8	Fourteenth Supplemental Indenture (to the 2008 Indenture) dated April 6, 2015 among Hanesbrands Inc., certain subsidiaries of Hanesbrands Inc. and Branch Banking and Trust Company (incorporated by reference from Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities Exchange Commission on May 1, 2015).
4.9	Fifteenth Supplemental Indenture (to the 2008 Indenture) dated January 8, 2016 among Hanesbrands Inc., certain subsidiaries of Hanesbrands Inc. and Branch Banking and Trust Company.
10.1	Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2013).*
10.2	Form of Stock Option Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan of 2006 (incorporated by reference from Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).*
10.3	Form of Calendar Year Grant Restricted Stock Unit Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.3 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.4	Form of Discretionary Grant Restricted Stock Unit Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated)

	(incorporated by reference from Exhibit 10.4 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.5	Form of Performance Stock and Cash Award – Cash Component Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated)(incorporated by reference from Exhibit 10.5 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.6	Form of Performance Stock and Cash Award – Stock Component Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated)(incorporated by reference from Exhibit 10.6 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.7	Form of Non-Employee Director Restricted Stock Unit Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.7 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.8	Form of Non-Employee Director Stock Option Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan of 2006 (incorporated by reference from Exhibit 10.8 to the Registrant's Transition Report on Form 10-K filed with the Securities and Exchange Commission on February 22, 2007).*
10.9	Hanesbrands Inc. Supplemental Employee Retirement Plan (incorporated by reference from Exhibit 10.9 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 9, 2010).*

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Exhibit Number	Description
10.10	Hanesbrands Inc. Performance-Based Annual Incentive Plan (incorporated by reference from Exhibit 10.10 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).*
10.11	Hanesbrands Inc. Executive Deferred Compensation Plan, as amended (incorporated by reference from Exhibit 10.11 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.12	Hanesbrands Inc. Executive Life Insurance Plan (incorporated by reference from Exhibit 10.10 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2009).*
10.13	Hanesbrands Inc. Executive Long-Term Disability Plan (incorporated by reference from Exhibit 10.11 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2009).*
10.14	Hanesbrands Inc. Employee Stock Purchase Plan of 2006, as amended (incorporated by reference from Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 29, 2010).*
10.15	Hanesbrands Inc. Non-Employee Director Deferred Compensation Plan (incorporated by reference from Exhibit 10.13 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2009).*
10.16	Severance/Change in Control Agreement dated December 18, 2008 between the Registrant and Richard A. Noll (incorporated by reference from Exhibit 10.14 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2009).*
10.17	Form of Severance/Change in Control Agreement entered into by and between Hanesbrands Inc. and certain of its executive officers prior to December 2010 and schedule of all such agreements with current executive officers.*
10.18	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.(incorporated by reference from Exhibit 10.17 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.19	Third Amended and Restated Credit Agreement (the "Third Amended Credit Agreement") with the various financial institutions and other persons from time to time party to the Credit Agreement as lenders, Branch Banking & Trust Company and SunTrust Bank, as the co-documentation agents, Barclays Bank PLC, HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and PNC Bank,

	National Association, as the co-syndication agents, JPMorgan Chase Bank, N.A., as the administrative agent and the collateral agent, and J.P. Morgan Securities LLC, Barclays Bank PLC, HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and PNC Capital Markets LLC, as the joint lead arrangers and joint bookrunners (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 30, 2015).
10.20	First Amendment, dated as of May 5, 2015, to the Third Amended Credit Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on July 31, 2015).
10.21	Second Amendment and Joinder Agreement, dated as of October 23, 2015 to Third Amended Credit Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on October 29, 2015).
12.1	Ratio of Earnings to Fixed Charges.
21.1	Subsidiaries of the Registrant.
23.1	Consent of PricewaterhouseCoopers LLP.
24.1	Powers of Attorney (included on the signature pages hereto).

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Exhibit Number	Description
31.1	Certification of Richard A. Noll, Chief Executive Officer.
31.2	Certification of Richard D. Moss, Chief Financial Officer.
32.1	Section 1350 Certification of Richard A. Noll, Chief Executive Officer.
32.2	Section 1350 Certification of Richard D. Moss, Chief Financial Officer.
101.INS XBRL	Instance Document
101.SCH XBRL	Taxonomy Extension Schema Document
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.

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HANESBRANDS INC.

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Hanesbrands Inc.
Management's Report on Internal Control Over Financial Reporting

Management of Hanesbrands Inc. ("Hanesbrands") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a — 15(f) under the Securities and Exchange Act of 1934. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Hanesbrands' system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Hanesbrands; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of Hanesbrands are being made only in accordance with authorizations of management and directors of Hanesbrands; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Hanesbrands' assets that could have a material effect on the financial statements.

The Company excluded its wholly owned subsidiary, Knights Holdco, Inc. ("Knights Apparel") from its assessment of internal control over financial reporting as of January 2, 2016 because its control over this operation was acquired by the Company in a purchase business combination during 2015. The total assets and total revenues of Knights Apparel represented 5% and 3%, respectively, of the related consolidated financial statement amounts as of and for the year ended January 2, 2016.

Management has evaluated the effectiveness of Hanesbrands' internal control over financial reporting as of January 2, 2016, based upon criteria for effective internal control over financial reporting described in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation, management determined that Hanesbrands' internal control over financial reporting was effective as of January 2, 2016.

The effectiveness of our internal control over financial reporting as of January 2, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included on the following page.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Hanesbrands Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Hanesbrands Inc. (the "Company") at January 2, 2016 and January 3, 2015, and the results of its operations and its cash flows for each of the three years in the period ended January 2, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 2, 2016, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in the Report of Management on Internal Controls over Financial Reporting, management has excluded Knights Apparel from its assessment of internal controls over financial reporting as of January 2, 2016, because it was acquired by the Company in a purchase business combination during 2015. We have also excluded Knights Apparel from our audit of internal controls over financial reporting. Knights Apparel is a wholly-owned subsidiary whose total assets and total revenues represent 5% and 3%, respectively, of the related consolidated financial statement amounts as of and for the year ended January 2, 2016.

/s/ PricewaterhouseCoopers LLP
Greensboro, North Carolina
February 5, 2016

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HANESBRANDS INC.
Consolidated Statements of Income
(in thousands, except per share amounts)

	Years Ended		
	January 2, 2016	January 3, 2015	December 28, 2013
Net sales	$5,731,549	$5,324,746	$4,627,802
Cost of sales	3,595,217	3,420,339	3,016,109
Gross profit	2,136,332	1,904,407	1,611,693
Selling, general and administrative expenses	1,541,214	1,340,453	1,096,507
Operating profit	595,118	563,954	515,186
Other expenses	3,210	2,599	17,501
Interest expense, net	118,035	96,387	101,884
Income before income tax expense	473,873	464,968	395,801
Income tax expense	45,018	60,449	65,307
Net income	$428,855	$404,519	$330,494
Earnings per share:			
Basic	$1.07	$1.01	$0.83
Diluted	$1.06	$0.99	$0.81

See accompanying notes to Consolidated Financial Statements.
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HANESBRANDS INC.
Consolidated Statements of Comprehensive Income
(in thousands)

	Years Ended		
	January 2, 2016	January 3, 2015	December 28, 2013
Net income	$428,855	$404,519	$330,494
Other comprehensive income (loss):			
Foreign currency translation	(23,576)	(12,171)	(13,594)
Cash flow hedges, net of tax effect of ($866), ($1,114) and ($476), respectively	1,043	1,679	717
Defined benefit plans, net of tax effect of ($883), $81,731 and ($61,582), respectively	189	(125,080)	93,473
Other comprehensive income (loss)	(22,344)	(135,572)	80,596
Comprehensive income	$406,511	$268,947	$411,090

See accompanying notes to Consolidated Financial Statements.
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HANESBRANDS INC.
Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	January 2, 2016	January 3, 2015
Assets		
Cash and cash equivalents	$319,169	$239,855
Trade accounts receivable, net	680,417	672,048
Inventories	1,814,602	1,537,200
Other current assets	103,679	101,064
Total current assets	2,917,867	2,550,167
Property, net	650,462	674,379
Trademarks and other identifiable intangibles, net	700,515	691,201
Goodwill	834,315	723,120
Deferred tax assets	445,179	495,824
Other noncurrent assets	70,702	73,502
Total assets	$5,619,040	$5,208,193
Liabilities and Stockholders' Equity		
Accounts payable	$672,972	$621,220
Accrued liabilities and other:		
Payroll and employee benefits	142,154	143,335
Advertising and promotion	125,948	149,345
Other	192,231	198,759
Notes payable	117,785	144,438
Accounts Receivable Securitization Facility	195,163	210,963
Current portion of long-term debt	57,656	14,354
Total current liabilities	1,503,909	1,482,414
Long-term debt	2,254,162	1,613,997
Pension and postretirement benefits	362,266	472,003
Other noncurrent liabilities	222,812	253,007
Total liabilities	4,343,149	3,821,421
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 — 391,652,810 and 400,789,120, respectively	3,917	4,008
Additional paid-in capital	277,569	290,926
Retained earnings	1,389,338	1,464,427
Accumulated other comprehensive loss	(394,933)	(372,589)
Total stockholders' equity	1,275,891	1,386,772
Total liabilities and stockholders' equity	$5,619,040	$5,208,193

See accompanying notes to Consolidated Financial Statements.
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HANESBRANDS INC.
Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balances at December 29, 2012	393,082	$3,930	$289,082	$911,467	$ (317,613)	$886,866
Net income	—	—	—	330,494	—	330,494
Dividends	—	—	—	(60,543)	—	(60,543)
Translation adjustments	—	—	—	—	(13,594)	(13,594)
Net unrealized gain on qualifying cash flow hedges	—	—	—	—	717	717
Net unrecognized gain from pension and postretirement plans	—	—	—	—	93,473	93,473
Stock-based compensation	—	—	23,845	—	—	23,845
Net exercise of stock options, vesting of restricted stock units and other	4,740	48	(16,448)	—	—	(16,400)
Net transactions related to spin off	—	—	(14,235)	—	—	(14,235)
Balances at December 28, 2013	397,822	$3,978	$282,244	$1,181,418	$ (237,017)	$1,230,623
Net income	—	—	—	404,519	—	404,519
Dividends	—	—	—	(121,510)	—	(121,510)
Translation adjustments	—	—	—	—	(12,171)	(12,171)
Net unrealized gain on qualifying cash flow hedges	—	—	—	—	1,679	1,679
Net unrecognized loss from pension and postretirement plans	—	—	—	—	(125,080)	(125,080)
Stock-based compensation	—	—	30,230	—	—	30,230
Net exercise of stock options, vesting of restricted stock units and other	2,967	30	(21,548)	—	—	(21,518)
Balances at January 3, 2015	400,789	$4,008	$290,926	$1,464,427	$ (372,589)	$1,386,772
Net income	—	—	—	428,855	—	428,855
Dividends	—	—	—	(161,316)	—	(161,316)
Translation adjustments	—	—	—	—	(23,576)	(23,576)
Net unrealized gain on qualifying cash flow hedges	—	—	—	—	1,043	1,043
Net unrecognized gain from pension and postretirement plans	—	—	—	—	189	189
Stock-based compensation	—	—	29,154	—	—	29,154
Net exercise of stock options, vesting of restricted stock units	3,012	30	(33,765)	—	—	(33,735)

and other						
Share repurchases	(12,148)	(121)	(8,746)	(342,628)	—	(351,495)
Balances at January 2, 2016	391,653	$3,917	$277,569	$1,389,338	$ (394,933)	$1,275,891

See accompanying notes to Consolidated Financial Statements.

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

	Years Ended		
	January 2, 2016	January 3, 2015	December 28, 2013
Operating activities:			
Net income	$428,855	$404,519	$330,494
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	80,166	75,977	76,125
Amortization of intangibles	23,737	22,225	14,765
Amortization of debt issuance costs	7,077	6,011	6,921
Stock compensation expense	29,618	30,587	24,178
Deferred taxes	10,850	(12,401)	14,616
Other	(8,696)	1,962	1,838
Changes in assets and liabilities, net of acquisition of businesses:			
Accounts receivable	(21,974)	1,228	4,803
Inventories	(289,654)	(40,248)	83,748
Other assets	35,044	14,270	12,857
Accounts payable	74,613	71,901	30,897
Accrued pension and postretirement	(102,202)	5,295	(25,880)
Accrued liabilities and other	(40,427)	(73,236)	15,919
Net cash from operating activities	227,007	508,090	591,281
Investing activities:			
Purchases of property, plant and equipment	(99,375)	(64,311)	(43,627)
Proceeds from sales of assets	15,404	7,120	6,089
Acquisition of business, net of cash acquired	(192,829)	(360,439)	(559,855)
Proceeds from sale of investments	—	64,380	—
Other	—	(5,065)	—
Net cash from investing activities	(276,800)	(358,315)	(597,393)
Financing activities:			
Borrowings on notes payable	1,167,681	158,217	101,175
Repayments on notes payable	(1,184,458)	(138,225)	(91,027)
Borrowings on Accounts Receivable Securitization Facility	231,891	161,167	145,715
Repayments on Accounts Receivable Securitization Facility	(247,691)	(131,994)	(137,761)
Borrowings on Revolving Loan Facility	5,272,000	3,536,000	4,053,500
Repayments on Revolving Loan Facility	(5,385,000)	(3,826,500)	(3,654,000)
Incurrence of debt under the Euro Term Loan Facility	—	476,566	—
Repayments of Euro Term Loan Facility	(289,079)	(2,226)	—
Borrowings on Term Loan A Facility	725,000	—	—
Repayments on Term Loan A Facility	(19,688)	—	—
Borrowings on Term Loan B Facility	425,000	—	—
Repayments on Term Loan B Facility	(3,188)	—	—
Borrowings on International Debt	10,676	—	—
Repayments on International Debt	(15,971)	—	—

Repayments of assumed debt related to acquisition of business	—	(117,400)	—
Share repurchases	(351,495)	—	—
Redemption of debt under 8% Senior Notes	—	—	(250,000)
Cash dividends paid	(161,316)	(119,607)	(59,442)
Payments to amend and refinance credit facilities	(12,793)	(6,011)	(5,630)
Taxes paid related to net shares settlement of equity awards	(76,569)	(54,593)	(41,839)
Excess tax benefit from stock-based compensation	45,286	39,568	26,784
Other	2,696	1,273	6,282
Net cash from financing activities	132,982	(23,765)	93,757
Effect of changes in foreign exchange rates on cash	(3,875)	(2,018)	(14,578)
Change in cash and cash equivalents	79,314	123,992	73,067
Cash and cash equivalents at beginning of year	239,855	115,863	42,796
Cash and cash equivalents at end of year	$319,169	$239,855	$115,863

See accompanying notes to Consolidated Financial Statements.

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HANESBRANDS INC.
Notes to Consolidated Financial Statements — (Continued)
Years ended January 2, 2016, January 3, 2015 and December 28, 2013
(amounts in thousands, except per share data)

(1) Basis of Presentation

Hanesbrands Inc., a Maryland corporation (the "Company"), is a consumer goods company with a portfolio of leading apparel brands, including Hanes, Champion, Bali, Playtex, Maidenform, DIM, JMS/Just My Size, L'eggs, Nur Die/Nur Der, Wonderbra, Gear for Sports, Lilyette, Lovable, Rinbros, Shock Absorber, Track N Field, Abanderado and Zorba. The Company designs, manufactures, sources and sells a broad range of basic apparel such as T-shirts, bras, panties, men's underwear, children's underwear, activewear, socks and hosiery.

The Company's fiscal year ends on the Saturday closest to December 31. All references to "2015", "2014" and "2013" relate to the 52 week fiscal year ended on January 2, 2016, the 53 week fiscal year ended on January 3, 2015 and the 52 week fiscal year ended on December 28, 2013, respectively. A significant subsidiary of the Company, DBA Lux Holding S.A. ("Hanes Europe Innerwear"), had a 53 week fiscal year ended January 2, 2016 as a result of aligning Hanes Europe Innerwear's year end with the Company in the year after acquisition. The 53rd week of financial information for Hanes Europe Innerwear did not have a material impact on the Company's financial condition, results of operations or cash flows.

(2) Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make use of estimates and assumptions that affect the reported amount of assets and liabilities, certain financial statement disclosures at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from these estimates.

(c) Foreign Currency Translation

Foreign currency-denominated assets and liabilities are translated into U.S. dollars at exchange rates existing at the respective balance sheet dates. Translation adjustments resulting from fluctuations in exchange rates are recorded as a separate component of accumulated other comprehensive loss ("AOCI") within stockholders' equity. The Company translates the results of operations of its foreign operations at the average exchange rates during the respective periods. Gains and losses resulting from foreign currency transactions are included in the "Selling, general and administrative expenses" line of the Consolidated Statements of Income.

(d) Sales Recognition and Incentives

The Company recognizes revenue when (i) there is persuasive evidence of an arrangement, (ii) the sales price is fixed or determinable, (iii) title and the risks of ownership have been transferred to the customer and (iv) collection of the receivable is reasonably assured, which occurs primarily upon shipment. The Company records a sales reduction for returns and allowances based upon historical return experience. The Company earns royalty revenues 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 licensee. The Company offers a variety of sales incentives to resellers and consumers of its products, and the policies regarding the recognition and display of these incentives within the Consolidated Statements of Income are as follows:

Discounts, Coupons, and Rebates

The Company recognizes the cost of these incentives at the later of the date at which the related sale is recognized or the date at which the incentive is offered. The cost of these incentives is estimated using a number of factors, including historical utilization and redemption rates. All cash incentives of this type are included in the determination of net sales. The Company includes incentives offered in the form of free products in the determination of cost of sales.

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Volume-Based Incentives

These incentives typically involve rebates or refunds of cash that are redeemable only if the reseller 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. The Company includes these amounts in the determination of net sales.

Cooperative Advertising

Under these arrangements, the Company agrees to reimburse the reseller for a portion of the costs incurred by the reseller 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 first takes place.

Fixtures and Racks

Store fixtures and racks are periodically used by resellers to display Company products. The Company expenses the cost of these fixtures and racks in the period in which they are delivered to the resellers. The Company includes the costs of fixtures and racks incurred by resellers and charged back to the Company in the determination of net sales. Fixtures and racks purchased by the Company and provided to resellers are included in selling, general and administrative expenses.

(e) Advertising Expense

Advertising costs, which include the development and production of advertising materials and the communication of these materials through various forms of media, are expensed in the period the advertising first takes place. The Company recognized advertising expense in the "Selling, general and administrative expenses" caption in the Consolidated Statements of Income of $181,956, $183,333 and $161,541 in 2015, 2014 and 2013, respectively.

(f) Shipping and Handling Costs

Revenue received for shipping and handling costs is included in net sales and was $19,710, $22,903 and $25,423 in 2015, 2014 and 2013, respectively. Shipping costs, which comprise payments to third party shippers, and handling costs, which consist of warehousing costs in the Company's various distribution facilities, were $332,678, $295,280 and $241,026 in 2015, 2014 and 2013, respectively. The Company recognizes shipping, handling and distribution costs in the "Selling, general and administrative expenses" line of the Consolidated Statements of Income.

(g) Catalog Expenses

The Company incurs expenses for printing catalogs for products to aid in the Company's sales efforts. The Company initially records these expenses as a prepaid item and charges it against selling, general and administrative expenses over time as the catalog is used. Expenses are recognized at a rate that approximates historical experience with regard to the timing and amount of sales attributable to a catalog distribution.

(h) Research and Development

Research and development costs are expensed as incurred and are included in the "Selling, general and administrative expenses" line of the Consolidated Statements of Income. Research and development includes expenditures for new product, technological improvements for existing products and process innovation, which primarily consist of salaries, consulting and supplies attributable to time spent on research and development activities. Additional costs include depreciation and maintenance for research and development equipment and facilities. Research and development expense was $62,324, $63,268 and $51,316 in 2015, 2014 and 2013, respectively.

(i) Defined Contribution Benefit Plans

The Company sponsors 401(k) plans as well as other defined contribution benefit plans. Expense for these plans was $21,972, $22,898 and $23,489 in 2015, 2014 and 2013, respectively.

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(j) Cash and Cash Equivalents
All highly liquid investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.
(k) Accounts Receivable Valuation
Accounts receivable are stated at their net realizable value. The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the accounts receivable portfolio determined on the basis of historical experience, aging of trade receivables, specific allowances for known troubled accounts and other currently available information.
(l) Inventory Valuation
Inventories are stated at the estimated lower of cost or market. Cost is determined by the first-in, first-out, or "FIFO," method for inventories. Obsolete, damaged, and excess inventory is carried at the net realizable value, which is determined by assessing historical recovery rates, current market conditions and future marketing and sales plans. Rebates, discounts and other cash consideration received from a vendor related to inventory purchases are reflected as reductions in the cost of the related inventory item, and are therefore reflected in cost of sales when the related inventory item is sold.
(m) Property
Property is stated at historical cost and depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Machinery and equipment is depreciated over periods ranging from three to 15 years and buildings and building improvements over periods of up to 40 years. A change in the depreciable life is treated as a change in accounting estimate and the accelerated depreciation is accounted for in the period of change and future periods. Additions and improvements that substantially extend the useful life of a particular asset and interest costs incurred during the construction period of major properties are capitalized. Repairs and maintenance costs are expensed as incurred. Upon sale or disposition of an asset, the cost and related accumulated depreciation are removed from the accounts.
Property is tested for recoverability whenever events or changes in circumstances indicate that its carrying value may not be recoverable. Such events include significant adverse changes in the business climate, several periods of operating or cash flow losses, forecasted continuing losses or a current expectation that an asset or an asset group will be disposed of before the end of its useful life. Recoverability of property is evaluated by a comparison of the carrying amount of an asset or asset group to future net undiscounted cash flows expected to be generated by the asset or asset group. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the estimated fair value. When an impairment loss is recognized for assets to be held and used, the adjusted carrying amount of those assets is depreciated over its remaining useful life. Restoration of a previously recognized impairment loss is not permitted under U.S. GAAP.
(n) Trademarks and Other Identifiable Intangible Assets
The primary identifiable intangible assets of the Company are trademarks, license agreements, customer and distributor relationships and computer software. Identifiable intangible assets with finite lives are amortized and those with indefinite lives are not amortized. The estimated useful life of a finite-lived intangible asset is based upon a number of factors, including the effects of demand, competition, expected changes in distribution channels and the level of maintenance expenditures required to obtain future cash flows. Trademarks with finite lives are being amortized over periods ranging from seven to 30 years, license agreements are being amortized over periods ranging from three to 17 years, customer and distributor relationships are being amortized over periods ranging from two to 15 years and computer software and other intangibles are being amortized over periods ranging from one to seven years.

Identifiable intangible assets that are subject to amortization are evaluated for impairment using a process similar to that used in evaluating elements of property. Identifiable intangible assets not subject to amortization are assessed for impairment at least annually, as of the first day of the third fiscal quarter, and as triggering events occur. The impairment test for identifiable intangible assets not subject to amortization consists of comparing the fair value of the intangible asset to its carrying amount. If the carrying value exceeds the fair value of the asset, an impairment loss is recognized in an amount equal to such excess. In assessing fair value, management relies on a number of factors to discount anticipated future cash flows including operating results, business plans and present value techniques. Rates used to discount cash flows are dependent upon interest rates and the

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cost of capital at a point in time. There are inherent uncertainties related to these factors and management's judgment in applying them to the analysis of intangible asset impairment.

The Company capitalizes internal software development costs, which include the actual costs to purchase software from vendors and generally include personnel and related costs for employees who were directly associated with the enhancement and implementation of purchased computer software. Additions to computer software are included in purchases of property, plant and equipment in the Consolidated Statements of Cash Flows.

(o) Goodwill

Goodwill is the amount by which the purchase price exceeds the fair value of the assets acquired and liabilities assumed in a business combination. When a business combination is completed, the assets acquired and liabilities assumed are assigned to the reporting unit or units of the Company given responsibility for managing, controlling and generating returns on these assets and liabilities. In many instances, all of the acquired assets and assumed liabilities are assigned to a single reporting unit and in these cases all of the goodwill is assigned to the same reporting unit. In those situations in which the acquired assets and liabilities are allocated to more than one reporting unit, the goodwill to be assigned to each reporting unit is determined in a manner similar to how the amount of goodwill recognized in a business combination is determined.

Goodwill is not amortized; however, it is assessed for impairment at least annually and as triggering events occur. The Company's annual measurement date is the first day of the third fiscal quarter. In evaluating the recoverability of goodwill, the Company estimates the fair value of its reporting units and compares it to the carrying value. If the carrying value of the reporting unit exceeds its fair value, the next step of the process involves comparing the implied fair value to the carrying value of the goodwill of that reporting unit. If the carrying value of the goodwill of a reporting unit exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to such excess. No impairment of goodwill was identified as a result of the testing conducted in 2015. In estimating the fair values of the reporting units, management relies on a number of factors to discount anticipated future cash flows including operating results, business plans and present value techniques. Rates used to discount cash flows are dependent upon interest rates and the cost of capital at a point in time. There are inherent uncertainties related to these factors and management's judgment in applying them to the analysis of goodwill impairment.

(p) Insurance Reserves

The Company is self-insured for property, workers' compensation, medical and other casualty programs up to certain stop-loss limits. Undiscounted liabilities for self-insured exposures are accrued at the present value of the expected aggregate losses below those limits and are based on a number of assumptions, including historical trends, actuarial assumptions and economic conditions.

(q) Stock-Based Compensation

The Company established the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated), (the "Omnibus Incentive Plan") to award stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units, performance shares and cash to its employees, non-employee directors and employees of its subsidiaries to promote the interests of the Company and incent performance and retention of employees. The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards.

(r) Income Taxes

Deferred taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse. Given continuing losses in certain jurisdictions in which the Company operates on a separate return basis, a valuation allowance has

been established for the deferred tax assets in these specific locations. The Company periodically estimates the probable tax obligations using historical experience in tax jurisdictions and informed judgment. There are inherent uncertainties related to the interpretation of tax regulations in the jurisdictions in which the Company transacts business. The judgments and estimates made at a point in time may change based on the outcome of tax audits, as well as changes to, or further interpretations of, regulations. Income tax expense is adjusted in the period in which these events occur, and these adjustments are included in the Company's Consolidated Statements of Income. If such changes take place, there is a risk that the Company's effective tax rate may increase or decrease in any period. A company must recognize the tax benefit from an uncertain tax position only if it is more

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likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

(s) Financial Instruments

The Company uses forward foreign exchange contracts to manage its exposures to movements in foreign exchange rates. The use of these financial instruments modifies the Company's exposure to these risks with the goal of reducing the risk or cost to the Company. Depending on the nature of the underlying risk being hedged, these financial instruments are either designated as cash flow hedges or are economic hedges against changes in the value of the hedged item and therefore not designated as hedges for accounting purposes. The Company does not use derivatives for trading purposes and is not a party to leveraged derivative contracts.

On the date the derivative is entered into, the Company determines whether the derivative meets the criteria for cash flow hedge accounting treatment or whether the financial instrument is serving as an economic hedge against changes in the value of the hedged item and therefore is not designated as a hedge for accounting purposes. The accounting for changes in fair value of the derivative instrument depends on whether the derivative has been designated and qualifies as part of a hedging relationship.

The Company formally documents its hedge relationships, including identifying the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking derivatives that are designated as hedges of specific assets, liabilities, firm commitments or forecasted transactions. The Company also formally assesses, both at inception and at least quarterly thereafter, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged item. If it is determined that a derivative ceases to be a highly effective hedge, or if the anticipated transaction is no longer likely to occur, the Company discontinues hedge accounting, and any deferred gains or losses are recorded in the "Selling, general and administrative expenses" line of the Consolidated Statements of Income.

Derivatives are recorded in the Consolidated Balance Sheets at fair value and classified as current or noncurrent based on the derivatives' maturity dates. The fair value is based upon either market quotes for actively traded instruments or independent bids for nonexchange traded instruments. Cash flows hedges are classified in the same category as the item being hedged, and cash flows from derivative contracts not designated as hedges are classified as cash flows from operating activities in the Consolidated Statements of Cash Flows.

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

Cash Flow Hedges

The effective portion of the change in the fair value of a derivative that is designated as a cash flow hedge is recorded in the "Accumulated other comprehensive loss" line of the Consolidated Balance Sheets. When the hedged item affects the income statement, the gain or loss included in AOCI is reported on the same line in the Consolidated Statements of Income as the hedged item. In addition, both the fair value of changes excluded from the Company's effectiveness assessments and the ineffective portion of the changes in the fair value of derivatives used as cash flow hedges are reported in the "Selling, general and administrative expenses" line in the Consolidated Statements of Income.

Derivative Contracts Not Designated as Hedges

For derivative contracts not designated as hedges, changes in fair value are reported in the "Selling, general and administrative expenses" line of the Consolidated Statements of Income. These contracts are recorded at fair value when the hedged item is recorded as an asset or liability and then are revalued each accounting period.

(t) Assets and Liabilities Acquired in Business Combinations

Business combinations are accounted for using the purchase method, which requires the Company to allocate the cost of an acquired business to the acquired assets and liabilities based on their estimated fair values at the acquisition date. The Company recognizes the excess of an acquired business' cost over the fair value of acquired assets and liabilities as goodwill.

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Fair values are determined using the income approach based on market participant assumptions focusing on future cash flow projections and accepted industry standards.

(u) Recently Issued Accounting Pronouncements

Discontinued Operations

In April 2014, the FASB issued new accounting rules related to updating the criteria for reporting discontinued operations and enhancing related disclosures requirements. The new rules were effective for the Company in the first quarter of 2015. The adoption of the new accounting rules did not have a material effect on the Company's financial condition, results of operations or cash flows.

Extraordinary and Unusual Items

In January 2015, the FASB issued new accounting rules that remove the concept of extraordinary items from U.S. GAAP. Under the existing guidance, an entity is required to separately disclose extraordinary items, net of tax, in the income statement after income from continuing operations if an event or transaction is of an unusual nature and occurs infrequently. This separate, net-of-tax presentation (and corresponding earnings per share impact) will no longer be allowed. The new rules will be effective for the Company in the first quarter of 2016. 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 or cash flows.

Consolidation

In February 2015, the FASB issued an update to their existing consolidation model, which changes the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The new rules will be effective for the Company in the first quarter of 2016. 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 or cash flows.

Debt Issuance Costs

In April 2015, the FASB issued new accounting rules, which require debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. The new rules will be effective for the Company in the first quarter of 2016. 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 or cash flows.

Cloud Computing

In April 2015, the FASB issued new accounting rules, related to a customer's accounting for fees paid in a cloud computing arrangement. The guidance provides clarification on whether a cloud computing arrangement includes a software license. If a software license is included, the customer should account for the license consistent with its accounting for other software licenses. If a software license is not included, the arrangement should be accounted for as a service contract. The new standard will be effective for the Company in the first quarter of 2016. 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 or cash flows.

Fair Value Measurement

In May 2015, the FASB issued an update to their accounting guidance related to fair value measurements. The guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient, and requires separate disclosure of those investments instead. These disclosures will be effective for the Company in the first quarter of 2016. The new accounting rules will not have an impact on the Company's financial condition, results of operations or cash flows but will result in certain additional disclosures.

Revenue from Contracts with Customers

In July 2015, the FASB decided to delay effective dates for the new accounting rules related to revenue recognition for contracts with customers by one year. The new standard will be effective for the Company in the first quarter of 2018 with

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retrospective application required. The Company is currently in the process of evaluating the impact of adoption of the new rules on the Company's financial condition, results of operations and cash flows.

Inventory

In July 2015, the FASB issued new accounting rules, which require inventory to be recorded at the lower of cost or net realizable value. The new standard will be effective for the Company in the first quarter of 2017. 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 or cash flows.

Measurement Period Adjustments

In September 2015, the FASB issued new accounting rules, which simplify the accounting for measurement period adjustments by eliminating the requirements to restate prior period financial statements for these adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The new standard, which should be applied prospectively to measurement period adjustments that occur after the effective date, is effective for the Company in the first quarter of 2016. 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 or cash flows.

Balance Sheet Classification of Deferred Taxes

In November 2015, the FASB issued new accounting rules, intended to improve how deferred taxes are classified on organizations' balance sheets. The new guidance eliminates the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will now be required to classify all deferred tax assets and liabilities as noncurrent. The new standard is effective for the Company in the first quarter of 2017, and may be applied retrospectively or prospectively. The Company has elected to adopt the standard early, beginning in the fourth quarter of 2015, and will apply the standard retrospectively. The adoption of the new accounting rules did not have a material effect on the Company's financial condition, results of operations or cash flows.

(v) Reclassifications

Certain prior year amounts in the Consolidated Balance Sheets and notes to the Consolidated Financial Statements, none of which are material, have been reclassified to conform with the current year presentation. These classifications within the statements had no impact on the Company's results of operations.

(3) Acquisitions

Knights Apparel Acquisition

In April 2015, the Company completed the acquisition of Knights Holdco, Inc. ("Knights Apparel"), a leading seller of licensed collegiate logo apparel primarily in the mass retail channel, from Merit Capital Partners in an all cash transaction valued at approximately $192,888 on an enterprise value basis. The Company funded the acquisition with cash on hand and short-term borrowings under its Revolving Loan Facility.

The Knights Apparel and Pro Edge trademarks and brand names, which management believes to have indefinite lives, have been valued at $12,000. Amortizable intangible assets have been assigned values of $31,200 for license agreements, $14,500 for distribution networks, and $2,250 for non-compete agreements. License agreements are being amortized over 14 years. Distributor relationships are being amortized over 12 years. Non-compete agreements are being amortized over one year.

Knights Apparel contributed net revenues of approximately $160,248 and $27,096 of pretax earnings since the date of acquisition. The results of Knights Apparel have been included in the Company's consolidated financial statements

since the date of acquisition and are reported as part of the Activewear segment.
Factors that contribute to the amount of goodwill recognized for the acquisition include the value of the existing work force and cost savings by utilizing the Company's low-cost supply chain and expected synergies with existing Company functions. Goodwill associated with the acquisition is not tax deductible.

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The allocation of purchase price is preliminary and subject to change. The primary areas of the purchase price that are not yet finalized are related to certain income taxes and residual goodwill. Accordingly, adjustments will 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 valuation date. The acquired assets and assumed liabilities at the date of acquisition (April 6, 2015) include the following:

Cash and cash equivalents	$59
Trade accounts receivable, net	14,879
Inventories	22,820
Deferred tax assets and other	2,190
Trademarks and other identifiable intangibles	59,950
Total assets acquired	99,898
Accounts payable, Accrued liabilities and other	6,807
Deferred tax liabilities and other noncurrent liabilities	18,142
Total liabilities assumed	24,949
Net assets acquired	74,949
Goodwill	117,939
Purchase price	$192,888

Unaudited pro forma results of operations for the Company are presented below for year-to-date assuming that the 2015 acquisition of Knights Apparel had occurred on December 29, 2013.

	Years Ended	
	January 2, 2016	January 3, 2015
Net sales	$5,753,706	$5,490,862
Net income	433,636	404,973
Earnings per share:		
Basic	$1.08	$1.01
Diluted	1.07	0.99

Pro forma financial information is not necessarily indicative of the Company's operations results if the acquisition has been completed at the date indicated, nor is it necessarily an indication of future operating results. Amounts do not include any operating efficiencies or cost savings that the Company believes are achievable.

Hanes Europe Innerwear Acquisition

In August 2014, MFB International Holdings S.à r.l. ("MFB International Holdings"), a wholly owned subsidiary of the Company, acquired DBA Lux Holding S.A. ("Hanes Europe Innerwear") from SLB Brands Holdings, Ltd and certain individual Hanes Europe Innerwear shareholders in an all-cash transaction equal to €400,000 enterprise value less net debt and working capital adjustments as defined in the purchase agreement. Total purchase price at closing was €297,031 (approximately $391,861 based on acquisition date exchange rates). The acquisition was financed through a combination of cash on hand and third party borrowings.

Hanes Europe Innerwear is a leading marketer of intimate apparel, hosiery and underwear in Europe with a portfolio of strong brands including DIM, Nur Die/Nur Der and Lovable. The Company believes the acquisition will create growth and cost savings opportunities and increased scale to serve retailers. Hanes Europe Innerwear utilizes a mix of self-owned manufacturing and third-party manufacturers. Factors that contribute to the amount of goodwill recognized for the acquisition include the value of the existing work force and cost savings by utilizing the Company's low-cost

supply chain and expected synergies with existing Company functions. Goodwill associated with the acquisition is not tax deductible.

The purchase price allocation was finalized in the third quarter 2015.

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Cash and cash equivalents	$38,875
Trade accounts receivable, net	121,169
Inventories	245,161
Other current assets	106,489
Property, net	104,868
Trademarks and other identifiable intangibles, net	365,104
Deferred tax assets, noncurrent	13,832
Other noncurrent assets	5,755
Total assets acquired	1,001,253
Accounts payables	79,785
Accrued liabilities and other	184,433
Notes payable	97,599
Current portion of long-term debt	123,891
Long-term debt	8,683
Deferred tax liabilities, noncurrent	111,072
Other noncurrent liabilities	100,621
Total liabilities assumed	706,084
Net assets acquired	295,169
Goodwill	104,145
Purchase price	$399,314

Unaudited pro forma results of operations for the Company are presented below assuming that the 2014 acquisition of Hanes Europe Innerwear had occurred at the beginning of 2013.

	Years Ended January 3, 2015
Net sales	$5,872,848
Net income	427,296
Earnings per share:	
Basic	$1.06
Diluted	1.05

Pro forma financial information is not necessarily indicative of the Company’s operations results if the acquisition has been completed at the date indicated, nor is it necessarily an indication of future operating results. Amounts do not include any operating efficiencies or cost savings that the Company believes are achievable.

In connection with the Hanes Europe Innerwear acquisition, the Company acquired certain time deposits with maturity dates beyond three months. These investments were reported in the “Other current assets” line on the Consolidated Balance Sheets at acquisition date. Since the acquisition, the Company liquidated these investments for $64,380 and reported the proceeds as investing activities on the Consolidated Statements of Cash Flows.

Since August 2014, goodwill increased by $2,807 in 2015 as a result of measurement period adjustments to the acquired income tax balances and increased by $7,453 in 2014 for additional working capital payments made.

In 2014, Hanes Europe Innerwear contributed net revenues of $291,208 and pretax earnings of $24,075.

Maidenform Acquisition

In October 2013, the Company acquired 100% of the outstanding shares of Maidenform Brands, Inc. (“Maidenform”) at $23.50 per share for a total purchase price of $580,505. The acquisition was financed through a combination of cash on hand and short-term borrowing on the Company’s revolving credit facility. In 2013, Maidenform contributed net revenues of $98,400 and pretax earnings of $827 (excluding acquisition and integration related charges of $73,798). The purchase price allocation was finalized in the third quarter 2014.

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(4) Earnings Per Share

Basic earnings per share ("EPS") was computed by dividing net income by the number of weighted average shares of common stock outstanding during the period. Diluted EPS was calculated to give effect to all potentially dilutive shares of common stock using the treasury stock method. On March 3, 2015, the Company implemented a four-for-one stock split on the Company's common stock in the form of a 300% stock dividend. All references to the number of shares outstanding, per share amounts and share options data of the Company's common shares have been restated to reflect the effect of the split for all periods presented.

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

	Years Ended		
	January 2, 2016	January 3, 2015	December 28, 2013
Basic weighted average shares outstanding	399,891	402,300	399,436
Effect of potentially dilutive securities:			
Stock options	2,719	4,452	6,144
Restricted stock units	1,009	1,292	1,708
Employee stock purchase plan and other	40	—	4
Diluted weighted average shares outstanding	403,659	408,044	407,292

Restricted stock units totaling 348, 376 and 824 units were excluded from the diluted earnings per share calculation because their effect would be anti-dilutive for 2015, 2014, and 2013, respectively. In 2015, 2014 and 2013, there were no anti-dilutive options to purchase shares of common stock.

(5) Stock-Based Compensation

The Company established the Omnibus Incentive Plan to award stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units, performance shares and cash to its employees, non-employee directors and employees of its subsidiaries to promote the interests of the Company and incent performance and retention of employees.

Stock Options

The exercise price of each stock option equals the closing market price of the Company's stock on the date of grant. Options granted vest ratably over three years and can be exercised over a term of 10 years. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. There were no options granted during any of the periods presented.

A summary of the changes in stock options outstanding to the Company's employees under the Omnibus Incentive Plan is presented below:

	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term (Years)
Options outstanding at December 29, 2012	19,428	$5.67	$59,744	4.91
Exercised	(8,308)	5.86		

Forfeited	(8)	5.59		
Options outstanding at December 28, 2013	11,112	$5.53	$131,219	4.31
Exercised	(3,800)	4.82		
Forfeited	(20)	5.59		
Options outstanding at January 3, 2015	7,292	$5.92	$158,469	3.40
Exercised	(4,540)	6.10		
Options outstanding and exercisable at January 2, 2016	2,752	$5.62	$65,531	2.88

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The total intrinsic value of options that were exercised during 2015, 2014 and 2013 was $105,899, $86,843 and $95,380 respectively.
The actual tax benefit realized for the tax deductions from option exercise of the share-based payment arrangements totaled $118,682, $70,196 and $56,679 for 2015, 2014 and 2013, respectively.
Stock Unit Awards
Restricted stock units (RSUs) of the Company's stock are granted to certain Company non-employee directors and employees to incent performance and retention over periods of one to three years, respectively. Upon vesting, the RSUs are converted into shares of the Company's common stock on a one-for-one basis and issued to the grantees. Some RSUs which have been granted under the Omnibus Incentive Plan vest upon continued future service to the Company, while others also have a performance-based vesting feature. The cost of these awards is determined using the fair value of the shares on the date of grant, and compensation expense is recognized over the period during which the grantees provide the requisite service to the Company. A summary of the changes in the restricted stock unit awards outstanding under the Omnibus Incentive Plan is presented below:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term (Years)
Nonvested share units outstanding at December 29, 2012	5,624	$7.19	$49,188	1.99
Granted — non-performanced based	804	16.84		
Granted — performanced based	896	13.23		
Vested	(2,424)	6.99		
Forfeited	(128)	7.04		
Nonvested share units outstanding at December 28, 2013	4,772	$10.06	$82,742	1.79
Granted — non-performanced based	490	27.26		
Granted — performanced based	871	17.04		
Vested	(2,366)	7.54		
Forfeited	(349)	9.37		
Nonvested share units outstanding at January 3, 2015	3,418	$16.12	$94,521	1.71
Granted — non-performanced based	516	31.06		
Granted — performanced based	828	23.50		
Vested	(1,816)	11.45		
Forfeited	(113)	16.87		
Nonvested share units outstanding at January 2, 2016	2,833	$23.99	$83,381	1.78

The total fair value of shares vested during 2015, 2014 and 2013 was $20,784, $17,831 and $16,933, respectively.
Certain participants elected to defer receipt of shares earned upon vesting.

In addition to granting RSUs that vest solely upon continued future service to the Company, the Company also grants performanced-based restricted stock units where the number of shares of the Company's common stock that will be received upon vesting range from 0% to 200% of the number of units granted based on the Company's achievement of certain performance metrics. These performanced-based stock awards, which are included in the table above, represent awards that are earned based on future performance and service. As reported in the above table, the number of performanced-based restricted stock units granted each year represents the initial units granted on the date of grant plus any additional units that were earned based on the final achievement of the respective performance thresholds. For all share-based payments under the Omnibus Incentive Plan, during 2015, 2014 and 2013, the Company recognized total compensation expense of $29,154, $30,230 and $23,845 and recognized a deferred tax benefit of $11,382, $11,757 and $11,045, respectively.

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At January 2, 2016, there was $11,108 of total unrecognized compensation cost related to non-vested stock-based compensation arrangements, of which $7,828, $2,457, and $823 is expected to be recognized in 2016, 2017, and 2018, respectively. The Company satisfies the requirement for common shares for share-based payments to employees pursuant to the Omnibus Incentive Plan by issuing newly authorized shares. The Omnibus Incentive Plan authorized 63,220 shares for awards of stock options and restricted stock units, of which 11,855 were available for future grants as of January 2, 2016.

(6) Trade Accounts Receivable

Allowances for Trade Accounts Receivable

The changes in the Company's allowance for doubtful accounts and allowance for chargebacks and other deductions are as follows:

	Allowance for Doubtful Accounts	Allowance for Chargebacks and Other Deductions	Total
Balance at December 29, 2012	$6,187	$8,753	$14,940
Charged to expenses	1,445	5,288	6,733
Deductions and write-offs	(2,346)	(5,991)	(8,337)
Balance at December 28, 2013	$5,286	$8,050	$13,336
Charged to expenses	7,230	18,159	25,389
Deductions and write-offs	(4,399)	(17,470)	(21,869)
Balance at January 3, 2015	$8,117	$8,739	$16,856
Charged to expenses	4,656	8,675	13,331
Deductions and write-offs	(9,024)	(8,063)	(17,087)
Balance at January 2, 2016	$3,749	$9,351	$13,100

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

Sales of Accounts Receivable

The Company has entered into agreements to sell selected trade accounts receivable to financial institutions. After the sale, the Company does not retain any interests in the receivables and the applicable financial institution services and collects these accounts receivable directly from the customer. Net proceeds of these accounts receivable sale programs are recognized in the Consolidated Statements of Cash Flows as part of operating cash flows. The Company recognized funding fees of $2,452, $2,599 and $2,636 in 2015, 2014 and 2013, respectively, for sales of accounts receivable to financial institutions in the "Other expenses" line in the Consolidated Statements of Income.

(7) Inventories

Inventories consisted of the following:

	January 2, 2016	January 3, 2015
Raw materials	$173,336	$122,873
Work in process	200,836	196,886
Finished goods	1,440,430	1,217,441
	$1,814,602	$1,537,200

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(8) Property, Net

Property is summarized as follows:

	January 2, 2016	January 3, 2015
Land	$43,892	$48,109
Buildings and improvements	535,898	541,096
Machinery and equipment	927,999	891,345
Construction in progress	42,127	51,440
Capital leases	3,205	6,054
	1,553,121	1,538,044
Less accumulated depreciation	902,659	863,665
Property, net	$650,462	$674,379

(9) Notes Payable

The Company had the following short-term revolving facilities at January 2, 2016 and January 3, 2015:

	Interest Rate as of January 2, 2016	Principal Amount	
		January 2, 2016	January 3, 2015
Europe	5.64%	86,080	105,691
El Salvador	3.00%	$30,000	$30,000
Philippines	5.35%	1,341	1,409
Australia	4.50%	364	409
China	—	—	6,929
		$117,785	$144,438

As of January 2, 2016 and January 3, 2015, the Company had total borrowing availability of $110,264 and $200,327, respectively, under the international loan facilities. Total interest paid on notes payable was $716, $672 and $567 in 2015, 2014 and 2013, respectively. The Company was in compliance with the financial covenants contained in each of the facilities at January 2, 2016.

(10) Debt

The Company had the following debt at January 2, 2016 and January 3, 2015:

	Interest Rate as of January 2, 2016	Principal Amount		
		January 2, 2016	January 3, 2015	Maturity Date
Senior Secured Credit Facility:				
Revolving Loan Facility	2.34%	$63,500	$176,500	April 2020
Euro Term Loan	3.50%	113,098	436,953	August 2021

Term Loan A	1.89%	705,313	—	April 2020
Term Loan B	3.25%	421,813	—	April 2022
6.375% Senior Notes	6.38%	1,000,000	1,000,000	December 2020
Accounts Receivable Securitization Facility	1.17%	195,163	210,963	March 2016
Other International Debt	Various	8,094	14,898	Various
		2,506,981	1,839,314	
Less current maturities		252,819	225,317	
		$2,254,162	$1,613,997	

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The Company's primary financing arrangements are the senior secured credit facility (the "Senior Secured Credit Facility"), 6.375% senior notes (the "6.375% Senior Notes"), the Term Loan a (the "Term Loan A"), the Term Loan b (the "Term Loan B"), the euro term loan (the "Euro Term Loan") and the Accounts Receivable Securitization Facility. The outstanding balances at January 2, 2016 are reported in the "Current portion of long-term debt", "Long-term debt" and "Accounts Receivable Securitization Facility" lines of the Consolidated Balance Sheets.

Total cash paid for interest related to debt in 2015, 2014 and 2013 was $106,231, $85,512 and $96,434, respectively.

Senior Secured Credit Facility

On April 29, 2015, the Company refinanced its senior secured credit facility (the "Senior Secured Credit Facility") to extend the maturity date of the revolving loan facility (the "Revolving Loan Facility") to April 2020 and reduce the maximum borrowing capacity from $1,100,000 to $1,000,000, re-price the Revolving Loan Facility at favorable rates, and add an additional $850,000 in term loan borrowings ($425,000 for a new Term Loan A and $425,000 for a new Term Loan B. The Company incurred $10,900 in fees related to this refinancing. The proceeds of the Term Loan A and the Term Loan B were used to refinance existing revolving borrowings under the prior senior secured credit facility, pay fees and expenses in connection with the closing of the Senior Secured Credit Facility and for general corporate purposes. Proceeds of the Revolving Loan Facility are used for general corporate purposes and working capital needs. On October 23, 2015, the Company amended the Senior Secured Credit Facility to increase the principal amount of the Term Loan A by an additional $300,000. The Company incurred $1,603 in fees related to this refinancing.

In July 2014, the Company amended and restated the Senior Secured Credit Facility to increase the committed aggregate facility size to $1,600,000 (from $1,100,000), consisting of (a) Revolving Loan Facility, and (b) the Euro Term Loan. The Euro Term Loan accrues interest utilizing the EURIBOR rate (as defined in the Senior Secured Credit Facility) plus 2.75%. The proceeds of the Euro Term Loan are denominated in Euros and were utilized in part to purchase Hanes Europe Innerwear. Proceeds of the Revolving Loan Facility are used for general corporate purposes and working capital needs. All borrowings under the Revolving Loan Facility must be repaid in full upon maturity. Outstanding borrowings under the Euro Term Loan are repayable in quarterly payments of 0.25% of the original borrowings, with the remainder of the outstanding principle due at maturity.

All borrowings under the Revolving Loan Facility must be repaid in full upon maturity.

Outstanding borrowings under the Term Loan A are repayable in equal quarterly installments in the following annual percentages, with the remainder of the outstanding principal to be repaid at maturity: year one, 5.0%; year two, 7.5%; years three and four, 10.0%; and year five, 15.0%.

Outstanding borrowings under the Term Loan B are repayable in 0.25% quarterly installments, with the remainder of the outstanding principal to be repaid at maturity. If the Term Loan B is repriced or refinanced on or prior to the twelve month anniversary of its funding and as a result of such repricing or refinancing the effective interest rate of the Term Loan B decreases, the Company shall be required to pay a prepayment fee equal to 1.0% of the aggregate principal amount of the Term Loan B subject to such repricing or refinancing.

A portion of the Revolving Loan Facility is available for the issuances of letters of credit and the making of swingline loans, and any such issuance of letters of credit or making of a swingline loan will reduce the amount available under the Revolving Loan Facility. At the Company's option, it may add one or more term loan facilities or increase the commitments under the Revolving Loan Facility so long as certain conditions are satisfied, including, among others, that no default or event of default is in existence, that the Company is in pro forma compliance with the financial covenants described below and that the Company's senior secured leverage ratio is less than 3.00 to 1 on a pro forma basis after giving effect to the incurrence of such indebtedness. As of January 2, 2016, the Company had $15,683 of

standby and trade letters of credit issued and outstanding under the Revolving Loan Facility and $920,817 of borrowing availability.

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The Senior Secured Credit Facility is guaranteed by substantially all of the Company's existing and future direct and indirect U.S. subsidiaries, with certain customary or agreed-upon exceptions for foreign subsidiaries and certain other subsidiaries. The Company and each of the guarantors under the Senior Secured Credit Facility have granted the lenders under the Senior Secured Credit Facility a valid and perfected first priority (subject to certain customary exceptions) lien and security interest in the following:

- the equity interests of substantially all of the Company's direct and indirect U.S. subsidiaries (other than U.S. subsidiaries directly or indirectly owned by foreign subsidiaries) and 65% of the voting securities of certain first tier foreign subsidiaries; and
- substantially all present and future property and assets, real and personal, tangible and intangible, of the Company and each guarantor, except for certain enumerated interests, and all proceeds and products of such property and assets.

Additionally, the Euro Term Loan is guaranteed by substantially all of the Company's subsidiary MFB International Holdings S.à r.l.'s ("MFB International Holdings") existing and future direct and indirect subsidiaries, with certain customary or agreed-upon exceptions for certain subsidiaries and secured by a pledge of 100% of the equity interests of MFB International Holdings and its direct subsidiaries, 100% of the equity interests owned by any subsidiary of MFB International Holdings that is domiciled in Luxembourg and substantially all present and future property and assets, real and personal, tangible and intangible, of each Luxembourg domiciled guarantor, except for certain enumerated interests, and all proceeds and products of such property and assets.

The Term Loan A, the Term Loan B and the Company's Euro Term Loan require the Company and its subsidiary Maidenform Luxembourg ("MF Lux"), as applicable, to prepay any outstanding Term Loans in connection with (i) the incurrence of certain indebtedness and (ii) non-ordinary course asset sales or other dispositions (including as a result of casualty or condemnation) that exceed certain thresholds in any period of twelve-consecutive months, with customary reinvestment provisions. The Term Loan B and the Euro Term Loan also require the Company and MF Lux, as applicable, to prepay any outstanding Term Loans under the Term Loan B and the Euro Term Loan in connection with excess cash flow, which percentage will be based upon the Company's leverage ratio during the relevant fiscal period. All such prepayments will be made on a pro rata basis under each of the applicable Term Loans that are subject to such prepayments.

At the Company's option, borrowings under the Revolving Loan Facility, the Term Loan A and the Term Loan B bear interest based on the LIBOR rate or the "base rate" plus, in each case, an applicable margin. The applicable margin for the Revolving Loan Facility and the Term Loan A is determined by reference to a leverage-based pricing grid set forth in the Senior Secured Credit Facility, ranging from a maximum of 2.00% in the case of LIBOR-based loans and 1.00% in the case of Base Rate loans if the Company's leverage ratio is greater than or equal to 4.00 to 1, and will step down in 0.25% increments to a minimum of 1.25% in the case of LIBOR-based loans and 0.25% in the case of Base Rate loans if the Company's leverage ratio is less than 2.50 to 1. The applicable margin under the Term Loan B is 2.50% in the case of LIBOR-based loans and 1.50% in the case of Base Rate loans.

The Senior Secured Credit Facility requires the Company to comply with customary affirmative, negative and financial covenants. The Senior Secured Credit Facility requires that the Company maintain a minimum interest coverage ratio and a maximum total debt to EBITDA (earnings before income taxes, depreciation expense and amortization, as computed pursuant to the Senior Secured Credit Facility), or leverage ratio. The interest coverage ratio covenant requires that the ratio of the Company's EBITDA for the preceding four fiscal quarters to its consolidated total interest expense for such period shall not be less than 3.0 to 1.0 for each fiscal quarter. The leverage ratio covenant requires that the ratio of the Company's total debt to EBITDA for the preceding four fiscal quarters will not be more than 4.0 to 1.0 for each fiscal quarter provided that, following a permitted acquisition in which the

consideration is at least $200,000, such maximum leverage ratio covenant shall be increased to 4.5 to 1.0 for each fiscal quarter ending in the succeeding 12-month period following such permitted acquisition. The method of calculating all of the components used in the covenants is included in the Senior Secured Credit Facility.
In addition, the commitment fee for the unused portion of revolving loan commitments made by the Lenders is between 25 and 35 basis points based on the applicable commitment fee margin in effect from time to time. When the Leverage Ratio (as defined in the Senior Secured Credit Facility) is greater than or equal to 4.00 to 1.00, the commitment fee margin is 0.350%. When the Leverage Ratio is less than 4.00 to 1.00 but greater than or equal to 3.25 to 1.00, the applicable commitment fee margin is 0.300%. When the Leverage Ratio is less than 3.25 to 1.00, the applicable commitment fee margin is 0.250%.

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The Senior Secured Credit Facility contains customary events of default, including nonpayment of principal when due; nonpayment of interest, fees or other amounts after stated grace period; material inaccuracy of representations and warranties; violations of covenants; certain bankruptcies and liquidations; any cross-default to material indebtedness; certain material judgments; certain events related to the ERISA, actual or asserted invalidity of any guarantee, security document or subordination provision or non-perfection of security interest, and a change in control (as defined in the Senior Secured Credit Facility). As of January 2, 2016 the Company was in compliance with all financial covenants.

6.375% Senior Notes

On November 9, 2010, the Company issued $1,000,000 aggregate principal amount of the 6.375% Senior Notes. The 6.375% Senior Notes are senior unsecured obligations that rank equal in right of payment with all of the Company's existing and future unsubordinated indebtedness. The 6.375% Senior Notes bear interest at an annual rate equal to 6.375%. Interest is payable on the 6.375% Senior Notes on June 15 and December 15 of each year. The 6.375% Senior Notes will mature on December 15, 2020. The net proceeds from the sale of the 6.375% Senior Notes were approximately $979,000. The net proceeds were used to repay all outstanding borrowings under another loan facility, reduce the outstanding borrowings under the Revolving Loan Facility and to pay fees and expenses relating to these transactions. The 6.375% Senior Notes are guaranteed by substantially all of the Company's domestic subsidiaries. The indenture governing the 6.375% Senior Notes contains customary events of default which include (subject in certain cases to customary grace and cure periods), among others, nonpayment of principal or interest; breach of other agreements in such indenture; failure to pay certain other indebtedness; failure to pay certain final judgments; failure of certain guarantees to be enforceable; and certain events of bankruptcy or insolvency.

Accounts Receivable Securitization Facility

The Accounts Receivable Securitization Facility provides for up to $275,000 in funding accounted for as a secured borrowing, limited to the availability of eligible receivables, and is secured by certain domestic trade receivables. Under the terms of the Accounts Receivable Securitization Facility, the Company and certain of its subsidiaries sell, on a revolving basis, certain domestic trade receivables to HBI Receivables LLC ("Receivables LLC"), a wholly owned bankruptcy-remote subsidiary that in turn uses the trade receivables to secure the borrowings, which are funded through conduits and financial institutions that are not affiliated with the Company. The commitments of any conduits party to the Accounts Receivable Securitization Facility are funded through the issuance of commercial paper in the short-term market or through committed bank purchasers if the conduits fail to fund. The assets and liabilities of Receivables LLC are fully reflected on the Consolidated Balance Sheet, and the securitization is treated as a secured borrowing for accounting purposes, but the assets of Receivables LLC will be used first to satisfy the creditors of Receivables LLC, not the Company's creditors. The borrowings under the Accounts Receivable Securitization Facility remain outstanding throughout the term of the agreement subject to the Company maintaining sufficient eligible receivables, by continuing to sell trade receivables to Receivables LLC, unless an event of default occurs. In March 2015, the Company amended the Accounts Receivable Securitization Facility to decrease certain fee rates and extended the termination date to March 11, 2016.

Availability of funding under the Accounts Receivable Securitization Facility depends primarily upon the eligible outstanding receivables balance. The outstanding balance under the Accounts Receivable Securitization Facility is reported on the Consolidated Balance Sheet in the line "Accounts Receivable Securitization Facility." In the case of any creditors party to the Accounts Receivable Securitization Facility that are conduits, unless the conduits fail to fund, the yield on the commercial paper, which is the conduits' cost to issue the commercial paper plus certain dealer fees, is considered a financing cost and is included in interest expense on the Consolidated Statement of Income. If the

conduits fail to fund, the Accounts Receivable Securitization Facility would be funded through committed bank purchasers, and the interest rate would be payable at the Company's option at the rate announced from time to time by HSBC Bank USA, N.A. as its prime rate or at the LIBO Rate (as defined in the Accounts Receivable Securitization Facility) plus the applicable margin in effect from time to time. In the case of borrowings from any other creditors party to the Accounts Receivable Securitization Facility that are not conduits or their related committed bank purchasers, the interest rate is payable at the LIBO Rate (as defined in the Accounts Receivable Securitization Facility) or, if this rate is unavailable or otherwise does not accurately reflect the costs to these creditors related to the borrowings, the prime rate. These amounts are also considered financing costs and are included in interest expense on the Consolidated Statement of Income. In addition, HBI Receivables LLC is required to make certain payments to a conduit purchaser, a committed purchaser, or certain entities that provide funding to or are affiliated with them, in the event that assets

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and liabilities of a conduit purchaser are consolidated for financial and/or regulatory accounting purposes with certain other entities.

The Accounts Receivable Securitization Facility contains customary events of default and requires the Company to maintain the same interest coverage ratio and leverage ratio contained from time to time in the Senior Secured Credit Facility, provided that any changes to such covenants will only be applicable for purposes of the Accounts Receivable Securitization Facility if approved by the Managing Agents or their affiliates. As of January 2, 2016, the Company was in compliance with all financial covenants.

The total amount of receivables used as collateral for the credit facility was $332,948 at January 2, 2016 and is reported on the Company's Consolidated Balance Sheet in "Trade accounts receivable, net."

Other International Debt

In connection with the Hanes Europe Innerwear acquisition, the Company assumed debt (the "Other International Debt"), totaling $132,574 as of the acquisition date. Concurrent with the closing, $107,665 was repaid utilizing proceeds from the Euro Term Loan. The long-term debt outstanding as of January 2, 2016 consists of mortgage loans and term loans collateralized by fixed assets. These loans have maturity dates ranging from January, 2016 to May, 2018, and bear interest primarily based on EURIBOR rates ranging from 1.49% to 6.25% as of January 2, 2016.

Future Principal Payments

Future principal payments for all of the facilities described above are as follows: $252,819 due in 2016, $75,793 due in 2017, $77,707 due in 2018, $103,938 due in 2019, $1,483,063 due in 2020 and $513,661 due in 2021 and thereafter.

Debt Issuance Costs

During 2015, 2014 and 2013, the Company incurred $12,793, $5,560 and $5,630, respectively, in capitalized debt issuance costs in connection with the amendments to the Senior Secured Credit Facility and the Accounts Receivable Securitization Facility. Debt issuance costs are amortized to interest expense over the respective lives of the debt instruments, which range from one to 10 years. As of January 2, 2016, the net carrying value of unamortized debt issuance costs was $32,941 which is included in "Other Noncurrent Assets" in the Consolidated Balance Sheet. The Company's debt issuance cost amortization was $7,077, $6,011 and $6,921 in 2015, 2014 and 2013, respectively.

The Company recognizes charges in the "Other expenses" line of the Consolidated Statements of Income for fees incurred in financing transactions such as refinancing and amendments and for write-offs incurred in the early extinguishment of debt. In 2015, the Company recognized charges of $3,019 for acceleration of unamortized debt costs related to the Euro Term and the Revolving Loan Facility. In 2013, the Company recognized charges of $14,749 for the call premium and acceleration of unamortized debt costs related to the redemption of the 8% Senior Notes.

(11) Commitments and Contingencies

The Company is a party to various pending legal proceedings, claims and environmental actions by government agencies. In accordance with the accounting rules for contingencies, the Company records a provision with respect to a claim, suit, investigation or proceeding when it is probable that a liability has been incurred and the amount of the loss can reasonably be estimated. Any provisions are reviewed at least quarterly and are adjusted to reflect the impact and status of settlements, rulings, advice of counsel and other information pertinent to the particular matter. The recorded liabilities for these items were not material to the consolidated financial statements of the Company in any of the years presented. Although the outcome of such items cannot be determined with certainty, the Company's legal counsel and management are of the opinion that the final outcome of these matters will not have a material adverse impact on the consolidated financial position, results of operations or liquidity.

Purchase Commitments

In the ordinary course of business, the Company has entered into purchase commitments for raw materials, production and finished goods. These agreements, typically with terms ending within a year, require total payments of $334,235 in 2016 and $7,089 in 2017 and $0 thereafter.

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Operating Leases

The Company leases certain buildings and equipment under agreements that are classified as operating leases. Rental expense under operating leases was $103,621, $89,569 and $75,178 in 2015, 2014 and 2013, respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) are as follows: $82,660 in 2016, $72,868 in 2017, $64,607 in 2018, $48,191 in 2019, $36,730 in 2020 and $114,894 thereafter.

License Agreements

The Company is party to several royalty-bearing license agreements for the use of third party trademarks in certain of their products. The license agreements typically require a minimum guarantee to be paid either at the commencement of the agreement, by a designated date during the term of the agreement or by the end of the agreement period. When payments are made in advance of when they are due, the Company records a prepayment and amortizes the expense in the "Cost of sales" line of the Consolidated Statements of Income uniformly over the guaranteed period. For guarantees required to be paid at the completion of the agreement, royalties are expensed through "Cost of sales" as the related sales are made. Management has reviewed all license agreements and has concluded that there are no liabilities recorded at inception of the agreements.

During 2015, 2014 and 2013, the Company incurred royalty expense of approximately $84,733, $57,072 and $42,075, respectively.

Minimum amounts due under the license agreements are approximately $10,248 in 2016, $5,383 in 2017, $5,645 in 2018, $5,910 in 2019, $6,141 in 2020. In addition to the minimum guaranteed amounts under license agreements, the Company is a party to a partnership agreement that includes a minimum fee of $5,558 for each year from 2016 through 2017.

(12) Intangible Assets and Goodwill

As described in Note, "Acquisitions," the Company acquired Knights Apparel in April 2015, which resulted in the recognition of $117,939 of goodwill and $59,950 of intangible assets, which consisted primarily of perpetual license agreements and distribution relationships. Since acquisition, goodwill decreased $2,454 as a result of measurement period tax adjustments.

As described in Note, "Acquisitions," the Company acquired Hanes Europe Innerwear in August 2014, which resulted in the recognition of $104,145 of goodwill and $365,104 of intangible assets, which consisted primarily of trademarks, perpetual license agreements and customer and distribution relationships. Since acquisition, goodwill increased $7,453 as a result of additional working capital payments made and $2,807 as a result of measurement period adjustments to the acquired income tax balances.

(a) Intangible Assets

The primary components of the Company's intangible assets and the related accumulated amortization are as follows:

	Gross	Accumulated Amortization	Net Book Value
Year ended January 2, 2016:			
Intangible assets subject to amortization:			
Trademarks and brand names	$127,811	$74,810	$53,001
Licensing agreements	99,588	24,104	75,484
Customer and distributor relationships	82,854	10,674	72,180

Computer software	73,419	64,418	9,001
Other intangibles	4,958	3,781	1,177
	$388,630	$177,787	210,843
Intangible assets not subject to amortization:			
Trademarks			458,288
Perpetual licensing agreements			31,384
Net book value of intangible assets			$700,515

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	Gross	Accumulated Amortization	Net Book Value
Year ended January 3, 2015:			
Intangible assets subject to amortization:			
Trademarks and brand names	$135,622	$78,199	$57,423
Licensing agreements	69,225	16,122	53,103
Customer and distributor relationships	74,137	6,463	67,674
Computer software	68,164	60,937	7,227
Other intangibles	1,820	1,267	553
	$348,968	$162,988	185,980
Intangible assets not subject to amortization:			
Trademarks			470,501
Perpetual licensing agreements			34,720
Net book value of intangible assets			$691,201

The amortization expense for intangibles subject to amortization was $23,737, $22,225 and $14,765 for 2015, 2014 and 2013, respectively. The estimated amortization expense for the next five years, assuming no change in the estimated useful lives of identifiable intangible assets or changes in foreign exchange rates is as follows: $20,453 in 2016, $17,251 in 2017, $16,929 in 2018, $17,310 in 2019 and $16,901 in 2020.

(b) Goodwill

Goodwill and the changes in those amounts during the period are as follows:

	Innerwear	Activewear	Direct to Consumer	International	Total
Net book value at December 28, 2013	$427,231	$171,214	$3,155	$24,792	$626,392
Acquisition of business	4,330	—	69	101,545	105,944
Currency translation	—	—	—	(9,216)	(9,216)
Net book value at January 3, 2015	$431,561	$171,214	$3,224	$117,121	$723,120
Acquisition of business	—	117,939	—	2,807	120,746
Currency translation	—	—	—	(9,551)	(9,551)
Net book value at January 2, 2016	$431,561	$289,153	$3,224	$110,377	$834,315

(13) Accumulated Other Comprehensive Loss

The components of AOCI are as follows:

	Cumulative Translation Adjustment	Hedges	Defined Benefit Plans	Income Taxes	Accumulated Other Comprehensive Loss
Balance at December 28, 2013	$(21,928)	$2,042	$(357,503)	$140,372	$ (237,017)
	—	(1,113)	10,417	(3,709)	5,595

Amounts reclassified from accumulated other comprehensive loss					
Current-period other comprehensive income (loss) activity	(12,171)	3,905	(217,745)	84,844	(141,167)
Balance at January 3, 2015	$(34,099)	$4,834	$(564,831)	$221,507	$ (372,589)
Amounts reclassified from accumulated other comprehensive loss	—	(11,968)	14,573	(1,014)	1,591
Current-period other comprehensive income (loss) activity	(23,576)	13,877	(13,501)	(735)	(23,935)
Balance at January 2, 2016	$(57,675)	$6,743	$(563,759)	$219,758	$ (394,933)

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The Company had the following reclassifications out of AOCI:

Component of AOCI	Location of Reclassification into Income	Amount of Reclassification from AOCI January 2, 2016	January 3, 2015	December 28, 2013
Gain (loss) on foreign exchange contracts	Cost of sales	$(11,968)	$(1,113)	$(400)
	Income tax	4,655	444	160
	Net of tax	$(7,313)	$(669)	$(240)
Amortization of deferred actuarial loss and prior service cost	Selling, general and administrative expenses	$14,573	$10,417	$15,418
	Income tax	(5,669)	(4,153)	(6,034)
	Net of tax	$8,904	$6,264	$9,384
Total reclassifications		$1,591	$5,595	$9,144

(14) Financial Instruments and Risk Management

The Company uses forward foreign exchange contracts to manage its exposures to movements in foreign exchange rates. As of January 2, 2016, the notional U.S. dollar equivalent of commitments to sell and purchase foreign currencies within the Company's derivative portfolio were $265,136 and $6,099, respectively, consisting of contracts hedging primarily exposures to the Euro, Canadian dollar, Australian dollar, Mexican peso, Japanese yen, Brazilian real and South African rand.

As of January 3, 2015, the notional U.S. dollar equivalent of commitments to sell and purchase foreign currencies within the Company's derivative portfolio were $163,873 and $9,629 consisting of contracts hedging primarily exposures to the Euro, Mexican Peso, Canadian dollar, Australian dollar, Brazilian real and Japanese yen.

Fair Values of Derivative Instruments

The fair values of derivative financial instruments related to forward foreign exchange contracts recognized in the Consolidated Balance Sheets of the Company were as follows:

	Balance Sheet Location	Fair Value January 2, 2016	January 3, 2015
Hedges	Other current assets	$3,700	$3,447
Non-hedges	Other current assets	1,514	2,960
Total derivative assets		$5,214	$6,407
Hedges	Accrued liabilities	$(330)	$—
Non-hedges	Accrued liabilities	(775)	(109)
Total derivative liabilities		$(1,105)	$(109)
Net derivative asset		$4,109	$6,298

Cash Flow Hedges

The Company uses forward foreign exchange contracts to reduce the effect of fluctuating foreign currencies on short-term foreign currency-denominated transactions, foreign currency-denominated investments, and other known foreign currency exposures. Gains and losses on these contracts are intended to offset losses and gains on the hedged transaction in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates. The Company expects to reclassify into earnings during the next 12 months a net gain from AOCI of approximately $7,016.

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

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

	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Loss (Effective Portion) Year Ended		
	January 2, 2016	January 3, 2015	December 28, 2013
Foreign exchange contracts	13,423	3,905	1,593
Total	$13,423	$3,905	$1,593

	Location of Gain Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion) Year Ended		
		January 2, 2016	January 3, 2015	December 28, 2013
Foreign exchange contracts	Cost of sales	11,968	1,113	400
Total		$11,968	$1,113	$400

Derivative Contracts Not Designated As Hedges

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

	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income Year Ended		
		January 2, 2016	January 3, 2015	December 28, 2013
Foreign exchange contracts	Selling, general and administrative expenses	$(9,271)	$(1,188)	$458

(15) Fair Value of Assets and Liabilities

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

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

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

The Company primarily applies the market approach for commodity derivatives and for all defined benefit plan investment assets and the income approach for interest rate and foreign currency derivatives for recurring fair value measurements and attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to

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the fair value measurement. The determination of fair values incorporates various factors that include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Company's nonperformance risk on its liabilities. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

As of January 2, 2016 and January 3, 2015, the Company held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. These consisted of the Company's derivative instruments related to interest rates and foreign exchange rates and defined benefit pension plan investment assets. The fair values of interest rate and foreign exchange rate derivatives are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2. The fair values of defined benefit pension plan investments include: certain U.S. equity securities, certain foreign equity securities and debt securities that are determined based on quoted prices in public markets categorized as Level 1, certain foreign equity securities, certain U.S. equity securities, debt securities, insurance contracts and commodity investments that are determined based on inputs readily available in public markets or can be derived from information available in publicly quoted markets categorized as Level 2 and investments in hedge funds of funds and real estate investments that are based on unobservable inputs about which little or no market data exists that are classified as Level 3. There were no changes during 2015 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis. The hedge fund of funds and real estate investments have varying redemption terms of monthly, quarterly, semi-annually and annually, and have required notification periods ranging from 45 to 90 days.

As of January 2, 2016, the Company did not have any non-financial assets or liabilities that are required to be measured at fair value on a 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 January 2, 2016		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Defined benefit pension plan investment assets:			
Hedge fund of funds	$—	$—	$338,169
U.S. equity securities	113,410	22,743	—
Foreign equity securities	35,398	90,606	—
Debt securities	17,176	126,327	—
Real estate	—	—	43,656
Commodities	—	15,519	—
Insurance contracts	—	5,128	—
Cash and other	1,085	—	—
	167,069	260,323	381,825

Derivative contracts:			
Foreign exchange derivative contracts	—	5,214	—
Foreign exchange derivative contracts	—	(1,105)	—
	—	4,109	—
Deferred compensation plan liability	—	(36,257)	—
Total	$167,069	$228,175	$381,825

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	Assets (Liabilities) at Fair Value as of January 3, 2015		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Defined benefit pension plan investment assets:			
Hedge fund of funds	$—	$—	$305,499
U.S. equity securities	124,136	29,192	—
Foreign equity securities	44,684	72,871	—
Debt securities	19,872	128,181	—
Real estate	—	—	40,874
Commodities	—	12,649	—
Insurance Contracts	—	5,797	—
Cash and other	4,243	—	—
	192,935	248,690	346,373
Derivative contracts:			
Foreign exchange derivative contracts	—	6,407	—
Foreign exchange derivative contracts	—	(109)	—
	—	6,298	—
Deferred compensation plan liability	—	(28,289)	—
Total	$192,935	$226,699	$346,373

The table below sets forth a summary of changes in the fair value of the Level 3 investment assets in 2015 and 2014.

	Hedge fund of funds	Real estate
Balance at December 28, 2013	$281,908	$33,575
Actual return on assets	13,038	4,869
Sale of assets	(1,447)	(720)
Purchase of assets	12,000	3,150
Balance at January 3, 2015	$305,499	$40,874
Actual return on assets	6,625	4,850
Sale of assets	(955)	(3,699)
Purchase of assets	27,000	1,631
Balance at January 2, 2016	$338,169	$43,656

There were no transfers into or out of the Level 3 category during the year.

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 January 2, 2016 and January 3, 2015. The fair value of debt, which is classified as a Level 2 liability, was $2,537,640 and $1,893,514 as of January 2, 2016 and January 3, 2015 and had a carrying value of $2,506,981 and $1,839,314, 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 January 2, 2016 and January 3, 2015, primarily due to the short-term nature of these instruments.

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(16) Defined Benefit Pension Plans

At January 2, 2016, the Company's pension plans consisted of the Hanesbrands Inc. Pension Plan, various nonqualified retirement plans and international plans, which include certain defined benefit plans acquired in connection with the purchase of Hanes Europe. Benefits under the Hanesbrands Inc. Pension Plan were frozen effective December 31, 2005.

The components of net periodic benefit cost and other amounts recognized in other comprehensive income of the Company's noncontributory defined benefit pension plans were as follows:

	Years Ended		
	January 2, 2016	January 3, 2015	December 28, 2013
Service cost	$2,478	$1,903	$1,565
Interest cost	49,202	48,768	44,174
Expected return on assets	(55,127)	(52,515)	(46,777)
Settlement cost	25	130	—
Amortization of:			
Prior service cost	22	40	35
Net actuarial loss	14,551	10,377	15,382
Net periodic benefit cost	$11,151	$8,703	$14,379
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (Loss)			
Net (gain) loss	$3,813	$206,756	$(155,314)
Prior service (credit) cost	22	(40)	208
Total (gain) loss recognized in other comprehensive income	3,835	206,716	(155,106)
Total recognized in net periodic benefit cost and other comprehensive income	$14,986	$215,419	$(140,727)

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from AOCI into net periodic benefit cost in 2016 are $17,012 and $9, respectively.

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The funded status of the Company's defined benefit pension plans at the respective year ends was as follows:

	January 2, 2016	January 3, 2015
Benefit obligation:		
Beginning of year	$1,255,216	$1,000,065
Service cost	2,478	1,903
Interest cost	49,202	48,768
Benefits paid	(55,019)	(53,348)
Curtailments	—	(997)
Settlements	(1,147)	(1,209)
Impact of exchange rate change	(11,468)	(9,910)
Business combination	—	72,279
Actuarial loss (gain)	(66,995)	197,665
End of year	1,172,267	1,255,216
Fair value of plan assets:		
Beginning of year	787,998	739,579
Actual return on plan assets	(24,496)	30,703
Employer contributions	106,693	68,738
Benefits paid	(55,019)	(53,348)
Settlements	(1,147)	(1,209)
Business combination	—	6,378
Impact of exchange rate change	(4,812)	(2,843)
End of year	809,217	787,998
Funded status	$(363,050)	$(467,218)

As most of the Company's pension plans are frozen, the accumulated benefit obligation ("ABO") approximates the benefit obligation. The total benefit obligation and the benefit obligation and fair value of plan assets for the Company's pension plans with benefit obligations in excess of plan assets are as follows:

	January 2, 2016	January 3, 2015
Benefit obligation	$1,172,267	$1,255,216
Plans with benefit obligation in excess of plan assets:		
Benefit obligation	1,147,028	1,252,743
Fair value of plan assets	784,681	785,524

Amounts recognized in the Company's Consolidated Balance Sheets consist of:

	January 2, 2016	January 3, 2015
Current liabilities	$(6,262)	$(5,142)
Noncurrent liabilities	(356,788)	(462,076)

Accumulated other comprehensive loss	(561,699)	(565,534)

Amounts recognized in accumulated other comprehensive loss consist of:

	January 2, 2016	January 3, 2015
Prior service cost	$226	$248
Actuarial loss	561,473	565,286
	$561,699	$565,534

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Accrued benefit costs related to the Company's defined benefit pension plans are reported in the "Accrued liabilities — Payroll and employee benefits" and "Pension and postretirement benefits" lines of the Consolidated Balance Sheets.

(a) Measurement Date and Assumptions

A December 31 measurement date is used to value plan assets and obligations for the pension plans. In determining the discount rate, the Company utilizes, as a general benchmark, the single discount rate equivalent to discounting the expected cash flows from each plan using the yields at each duration from a published yield curve as of the measurement date. The expected long-term rate of return on plan assets was based on the Company's investment policy target allocation of the asset portfolio between various asset classes and the expected real returns of each asset class over various periods of time. The weighted average actuarial assumptions used in measuring the net periodic benefit cost and plan obligations for the periods presented were as follows:

	January 2, 2016	January 3, 2015	December 28, 2013
Net periodic benefit cost:			
Discount rate	4.43 %	4.96 %	4.17 %
Long-term rate of return on plan assets	5.61	6.90	7.29
Rate of compensation increase (1)	3.51	3.74	3.74
Plan obligations:			
Discount rate	4.04 %	4.04 %	4.96 %
Rate of compensation increase (1)	3.51	3.50	3.74

(1) The compensation increase assumption applies to the international plans and portions of the nonqualified retirement plans, as benefits under these plans were not frozen at January 2, 2016, January 3, 2015 and December 28, 2013.

(b) Plan Assets, Expected Benefit Payments, and Funding

The allocation of pension plan assets as of the respective period end measurement dates is as follows:

	January 2, 2016	January 3, 2015
Asset category:		
Hedge fund of funds	41 %	38 %
U.S. equity securities	17	19
Foreign equity securities	15	15
Debt securities	18	19
Real estate	5	5
Commodities	2	2
Insurance contracts	1	1
Cash and other	1	1

The Company's asset strategy and primary investment objective are to maximize the principal value of the plan assets to meet current and future benefit obligations to plan participants and their beneficiaries. To accomplish this goal, the assets of the plan are broadly diversified to protect against large investment losses and to reduce the likelihood of

excessive volatility of returns. Diversification of assets is achieved through strategic allocations to various asset classes, as well as various investment styles within these asset classes, and by retaining multiple, third party investment management firms with complementary investment styles and philosophies to implement these allocations. The Company has established a target asset allocation based upon analysis of risk/return tradeoffs and correlations of asset mixes given long-term historical data, prospective capital market returns and forecasted liabilities of the plans. The target asset allocation approximates the actual asset allocation as of January 2, 2016. In addition to volatility protection, diversification enables the assets of the plan the best opportunity to provide adequate returns in order to meet the Company’s investment return objectives. These objectives include, over a rolling 5-year period, to achieve a total return that exceeds the required actuarial rate of return for the plan and to outperform a passive portfolio, consisting of a similar asset allocation.

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The Company utilizes market data or assumptions that market participants would use in pricing the pension plan assets. At January 2, 2016, the Company had $167,069 classified as Level 1 assets, $260,323 classified as Level 2 assets and $381,825 classified as Level 3 assets. At January 3, 2015, the Company had $192,935 classified as Level 1 assets, $248,690 classified as Level 2 assets and $346,373 classified as Level 3 assets. The Level 1 assets consisted primarily of certain U.S. equity securities, certain debt securities, certain foreign equity securities and cash and cash equivalents, Level 2 assets consisted primarily of certain debt securities, certain U.S. equity securities, commodity investments, insurance contracts and certain foreign equity securities, and Level 3 assets consisted primarily of hedge fund of funds and real estate investments. Refer to Note, “Fair Value of Assets and Liabilities,” for the Company’s complete disclosure of the fair value of pension plan assets.

The Company made a voluntary contribution of $40,000 into the Company’s pension plans in January 2016. Expected benefit payments are as follows: $61,241 in 2016, $61,652 in 2017, $63,861 in 2018, $66,633 in 2019, $68,241 in 2020 and $357,746 thereafter.

(c) Nonretirement Postemployment Benefit Plans

Certain of the international plans, specifically those acquired in connection with the purchase of Hanes Europe Innerwear, are in substance nonretirement postemployment benefit plans, which are future liabilities funded through future operational results of the Company. However, for purposes of consolidation the Company is including these plans within the defined benefit reporting. At January 2, 2016 and January 3, 2015, the total amounts accrued for these plans were $49,646 and $51,598, respectively and the total gain for the year ended January 2, 2016 was $499 and while the total expense January 3, 2015 $1,284.

(d) Interest Change

Beginning in 2016, the Company will change the method utilized to estimate primarily the interest cost component of net periodic benefit costs for the Company’s U.S. defined benefit plans from using a single discount rate as discussed above. The Company has elected to use a full yield curve approach in the estimation of the interest component of benefit costs by applying the specific spot rates along the yield curve used in the determination of the benefit obligations to the relevant projected cash flows. The Company will make this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of interest costs. This change will not affect the measurement of the total benefit obligations as the change in interest costs is completely offset by the actuarial gain or loss reported. The Company will account for this change as a change in estimate and, accordingly, will account for it prospectively beginning in 2016.

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(17) Income Taxes

The provision for income tax computed by applying the U.S. statutory rate to income before taxes as reconciled to the actual provisions were:

	Years Ended January 2, 2016	January 3, 2015	December 28, 2013
Income before income tax expense:			
Domestic	5.6 %	13.6 %	21.5 %
Foreign	94.4	86.4	78.5
	100.0 %	100.0 %	100.0 %
Tax expense at U.S. statutory rate	35.0 %	35.0 %	35.0 %
State income tax	1.1	0.6	0.4
Tax on remittance of foreign earnings	9.1	0.8	2.5
Foreign taxes less than U.S. statutory rate	(30.8)	(24.0)	(19.6)
Employee benefits	0.4	0.5	1.0
Change in valuation allowance	2.6	2.1	0.5
Release of unrecognized tax benefit reserves	(9.8)	(1.7)	(2.3)
State tax rate change	2.3	—	—
Other, net	(0.4)	(0.3)	(1.0)
Taxes at effective worldwide tax rates	9.5 %	13.0 %	16.5 %

The Company has been granted lower effective income tax rates in two foreign jurisdictions through 2019. These lower rates, when compared with the country's statutory rates, resulted in an income tax reduction of approximately $2,200 ($0.01 per diluted share) in 2015 and $5,000 ($0.01 per diluted share) in both 2014 and 2013.

Current and deferred tax provisions (benefits) were:

	Current	Deferred	Total
Year ended January 2, 2016			
Domestic	$(2,294)	$9,437	$7,143
Foreign	32,067	(10,235)	21,832
State	4,395	11,648	16,043
	$34,168	$10,850	$45,018
Year ended January 3, 2015			
Domestic	$41,608	$(10,517)	$31,067
Foreign	24,290	3,663	27,977
State	6,951	(5,546)	1,405
	$72,849	$(12,400)	$60,449
Year ended December 28, 2013			
Domestic	$24,166	$16,310	$40,476

Foreign	22,037	(590)	21,447
State	4,488	(1,104)	3,384
	$50,691	$14,616	$65,307

	Years Ended		
	January 2, 2016	January 3, 2015	December 28, 2013
Cash payments for income taxes	$23,045	$19,126	$34,221

Cash payments above represent cash tax payments made by the Company primarily in foreign jurisdictions.

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The deferred tax assets and liabilities at the respective year-ends were as follows:

	January 2, 2016	January 3, 2015
Deferred tax assets:		
Nondeductible reserves	$7,267	$8,841
Inventories	112,286	124,910
Property and equipment	—	12,007
Bad debt allowance	7,600	8,575
Accrued expenses	17,068	21,600
Employee benefits	176,307	223,554
Tax credits	34,051	34,186
Net operating loss and other tax carryforwards	94,975	56,482
Other	13,372	6,091
Gross deferred tax assets	462,926	496,246
Less valuation allowances	(61,358)	(43,757)
Deferred tax assets	401,568	452,489
Deferred tax liabilities:		
Property and equipment	439	—
Derivatives	3,612	1,994
Intangibles	17,751	32,281
Prepaids	5,316	11,076
Deferred tax liabilities	27,118	45,351
Net deferred tax assets	$374,450	$407,138

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances.

As of January 2, 2016, the valuation allowance for deferred tax assets was $61,358, made up of $47,402 for foreign loss carryforwards, $1,345 for other foreign deferred tax assets, and $12,611 for federal and state operating loss carryforwards. The net change in the total valuation allowance for 2015 was $17,601 related to an increase of $9,588 for foreign loss carryforwards and other foreign deferred tax assets and $8,013 for federal and state operating loss carryforwards.

At January 2, 2016, the Company has total net operating loss carryforwards of approximately $191,871 for foreign jurisdictions, which will expire as follows:

Fiscal Year:	
2016	$7,783
2017	22,768

2018	17,258
2019	34,719
2020	36,437
Thereafter	72,906

At January 2, 2016, the Company had tax credit carryforwards totaling $34,051,which expire beginning after 2020.
At January 2, 2016, the Company had federal and state net operating loss carryforwards of approximately $61,816 and $360,455, respectively, which expire beginning after 2018.

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At January 2, 2016, applicable U.S. federal income taxes and foreign withholding taxes have not been provided on the accumulated earnings of foreign subsidiaries that are expected to be permanently reinvested. If these earnings had not been permanently reinvested, deferred taxes of approximately $796,000 would have been recognized in the Consolidated Financial Statements.

In 2015 and 2014, the Company recognized a benefit related to the realization of unrecognized tax benefits resulting from the expiration of statutes of limitations of $3,587 and $10,391, respectively. Although it is not reasonably possible to estimate the amount by which unrecognized tax benefits may increase or decrease within the next 12 months due to uncertainties regarding the timing of examinations and the amount of settlements that may be paid, if any, to tax authorities, the Company currently expects a reduction of approximately $6,100 for unrecognized tax benefits accrued at January 2, 2016 within the next 12 months.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance at December 28, 2013 (gross balance of $51,315)	$48,353
Additions based on tax positions related to the current year	14,703
Additions for tax positions of prior years	10,058
Reductions for tax positions of prior years	(10,004)
Balance at January 3, 2015 (gross balance of $66,207)	$63,110
Additions based on tax positions related to the current year	2,732
Additions for tax positions of prior years	49
Reductions for tax positions of prior years	(46,111)
Balance at January 2, 2016 (gross balance of $20,085)	$19,780

Unrecognized tax benefits of $19,780 of tax benefits that, if recognized, would reduce the Company's annual effective tax rate. The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company recognized $3,669, $636 and $969 for interest and penalties classified as income tax benefit in the Consolidated Statement of Income for 2015, 2014 and 2013, respectively. At January 2, 2016 and January 3, 2015, the Company had a total of $2,702 and $6,371, respectively, of interest and penalties accrued related to unrecognized tax benefits.

The Company files a consolidated U.S. federal income tax return, as well as separate and combined income tax returns in numerous state and foreign jurisdictions. In the United States, the Internal Revenue Service ("IRS") began an examination of the Company's 2011 tax year during the fourth quarter of 2013 and of the Company's 2012 tax year during the third quarter of 2014, both of which were completed during the third quarter of 2015. As a result, the Company recorded an income tax benefit of $56,427 due to the remeasurement of certain unrecognized tax benefits. The Company is also currently subject to examination by various state and international tax authorities. The Company regularly assesses the outcomes of both ongoing and future examinations for the current or prior years to ensure the Company's provision for income taxes is sufficient. The Company recognizes liabilities based on estimates of whether additional taxes will be due and believes its reserves are adequate in relation to any potential assessments. The outcome of any one examination, some of which may conclude during the next 12 months, is not expected to have a material impact on the Company's financial position or results of operations.

(18) Stockholders' Equity

The Company is authorized to issue up to 2,000,000 shares of common stock, par value $0.01 per share, and up to 50,000 shares of preferred stock, par value $0.01 per share, and the Company's Board of Directors may, without stockholder approval, increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Company is authorized to issue. At January 2, 2016 and January 3, 2015, 391,653 and 400,789 shares, respectively, of common stock were issued and outstanding and no shares of preferred stock were issued or outstanding.

On February 1, 2007, the Company announced that the Board of Directors granted authority for the repurchase of up to 40,000 shares of the Company's common stock. Share repurchases are made periodically in open-market transactions and are subject to market conditions, legal requirements and other factors. Additionally, management has been granted authority to establish a trading plan under Rule 10b5-1 of the Exchange Act in connection with share repurchases, which will allow the Company to repurchase shares in the open market during periods in which the stock trading window is otherwise closed for the

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Company and certain of the Company's officers and employees pursuant to the Company's insider trading policy. During 2015, the Company purchased 12,148 shares of the Company's common stock at a cost of $351,495 (average price of $28.91). Since inception of the program, the Company has purchased 23,496 shares of common stock at a cost of $426,243 (average price of $18.13). The primary objective of the share repurchase program is to reduce the impact of dilution caused by the exercise of options and vesting of restricted stock unit awards, as well as to utilize excess cash to generate shareholder value.

Preferred Stock Purchase Rights

Pursuant to the Rights Agreement dated as of September 1, 2006 and previously amended on March 26, 2015 (the "Rights Agreement") between the Company and Computershare Trust Company, N.A., as Rights Agent, one preferred stock purchase right (a "Right") was distributed with and attached to each share of the Company's common stock. Each Right entitled its holder, under certain circumstances, to purchase from the Company one one-thousandth of a share of the Company's Junior Participating Preferred Stock, Series A (the "Series A Preferred Stock") at an exercise price of $75 per right.

On October 27, 2015, the Company entered into a Second Amendment to Rights Agreement (the "Second Amendment"). The Second Amendment accelerated the expiration of the Rights from September 1, 2016 to November 10, 2015 and had the effect of terminating the Rights Agreement on November 10, 2015. At the time of the termination of the Rights Agreement, all of the Rights distributed to holders of the Company's common stock pursuant to the Rights Agreement expired. In connection with the termination of the Rights Agreement, on November 10, 2015, the Company eliminated the Series A Preferred Stock issuable upon exercise of the Rights and reclassified the Series A Preferred Stock as authorized but undesignated shares of the Company's preferred stock.

Dividends

As part of the Company's cash deployment strategy, in 2013, the Board of Directors declared the Company's first dividends of $0.05 per share on outstanding common stock, which were paid in 2013. Prior to that declaration, the Company had not paid a cash dividend on its common stock.

In 2014, the Company's Board of Directors authorized regular quarterly dividends of $0.075 per share, which were paid in 2014.

In January 2015, the Company's Board of Directors increased our regular quarterly dividend rate to $0.10 per share on outstanding common stock. During the Company's 2015 fiscal year, regular quarterly cash dividends of $0.10 per share were paid on March 3, 2015, June 11, 2015, September 9, 2015 and December 8, 2015.

On March 3, 2015, the Company effected a four-for-one stock split in the form of a 300% stock dividend to stockholders of record as of the close of business on February 9, 2015. All references to the number of common shares outstanding, per share amounts and share options data have been restated to reflect the effect of the split for all periods presented.

In January 2016, the Company's Board of Directors declared a regular quarterly cash dividend of $0.11 per share on outstanding common stock to be paid on March 8, 2016 to stockholders of record at the close of business on February 16, 2016.

(19) Business Segment Information

The Company's operations are managed and reported in four operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Activewear, Direct to Consumer and International. These segments are organized principally by product category, geographic location and distribution channel. Each segment has its own management that is responsible for the operations of the segment's businesses but the segments share a

common supply chain and media and marketing platforms.

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

- Innerwear sells basic branded products that are replenishment in nature under the product categories of men’s underwear, panties, children’s underwear, socks, hosiery 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.

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- Direct to Consumer includes the Company's value-based ("outlet") stores and Internet operations that sell products from the Company's portfolio of leading brands. The Company's Internet operations are supported by its catalogs.
- International primarily relates to the Europe, Asia, Latin America, Canada and Australia geographic locations that sell products that span across the Innerwear and Activewear reportable segments.

The Company evaluates the operating performance of its segments based upon segment operating profit, which is defined as operating profit before general corporate expenses and amortization of intangibles. The accounting policies of the segments are consistent with those described in Note, "Summary of Significant Accounting Policies." The Company decided in the first quarter of 2015 to revise the manner in which the Company allocates certain assets and selling, general and administrative expenses. Certain prior-year segment assets and segment operating profit disclosures have been revised to conform to the current-year presentation.

	Years Ended		
	January 2, 2016	January 3, 2015	December 28, 2013
Net sales:			
Innerwear	$2,649,399	$2,707,474	$2,444,935
Activewear	1,561,201	1,410,036	1,306,936
Direct to Consumer	388,312	409,028	380,079
International	1,132,637	798,208	495,852
Total net sales	$5,731,549	$5,324,746	$4,627,802

	Years Ended		
	January 2, 2016	January 3, 2015	December 28, 2013
Segment operating profit:			
Innerwear	$601,514	$561,507	$476,398
Activewear	252,077	200,952	177,749
Direct to Consumer	26,377	37,867	32,237
International	107,997	89,479	42,350
Total segment operating profit	987,965	889,805	728,734
Items not included in segment operating profit:			
General corporate expenses	(103,050)	(104,693)	(117,993)
Acquisition, integration and other action related charges	(266,060)	(198,933)	(80,790)
Amortization of intangibles	(23,737)	(22,225)	(14,765)
Total operating profit	595,118	563,954	515,186
Other expenses	(3,210)	(2,599)	(17,501)
Interest expense, net	(118,035)	(96,387)	(101,884)
Income before income tax expense	$473,873	$464,968	$395,801

For the year ended January 2, 2016, the Company incurred acquisition, integration and other action related charges of $266,060, of which $62,859 is reported in the "Cost of sales" line and $203,201 is reported in the "Selling, general and administrative expenses" line in the Condensed Consolidated Statement of Income. For the year ended January 3, 2015, the Company incurred acquisition, integration and other action related charges of $198,933, of which $73,125 is

reported in the “Cost of sales” line and $125,808 is reported in the “Selling, general and administrative expenses” line in the Condensed Consolidated Statement of Income. For the year ended December 28, 2013, the Company incurred acquisition, integration and other action related charges of $80,790, of which $16,222 is reported in the “Cost of sales” line and $64,568 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, the Company has identified management and administrative positions that are considered non-essential and/or duplicative that will be eliminated. As of January 2, 2016, the Company has accrued approximately $54,000 for employee termination and other benefits recognized in accordance with expected benefit payments for affected employees. The charges are reflected in the “Cost of sales” and “Selling, general and administrative

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expenses" lines of the Consolidated Statements of Income. As of January 2, 2016, no significant benefit payments had been made. $27,300 and $26,700, respectively, is included in the "Accrued liabilities" and "Other noncurrent liabilities" line of the Consolidated Balance Sheet.

	January 2, 2016	January 3, 2015
Assets:		
Innerwear	$1,838,452	$1,493,977
Activewear	803,434	788,610
Direct to Consumer	105,053	108,278
International	716,934	810,844
	3,463,873	3,201,709
Corporate (1)	2,155,167	2,006,484
Total assets	$5,619,040	$5,208,193

	Years Ended		
	January 2, 2016	January 3, 2015	December 28, 2013
Depreciation and amortization expense:			
Innerwear	$39,235	$40,688	$42,990
Activewear	21,626	21,314	21,827
Direct to Consumer	6,104	6,931	7,773
International	13,201	7,044	3,535
	80,166	75,977	76,125
Corporate	23,737	22,225	14,765
Total depreciation and amortization expense	$103,903	$98,202	$90,890

	Years Ended		
	January 2, 2016	January 3, 2015	December 28, 2013
Additions to long-lived assets:			
Innerwear	$44,183	$37,641	$24,192
Activewear	22,331	13,378	11,653
Direct to Consumer	8,802	7,641	2,188
International	18,022	4,737	3,025
	93,338	63,397	41,058
Corporate	6,037	914	2,569
Total additions to long-lived assets	$99,375	$64,311	$43,627

(1) Principally cash and equivalents, certain fixed assets, net deferred tax assets, goodwill, trademarks and other identifiable intangibles, and certain other noncurrent assets.

Sales to Wal-Mart, Target and Kohl’s were substantially in the Innerwear and Activewear segments and represented 23%, 15% and 5% of total sales in 2015, respectively.

Worldwide sales by product category for Innerwear and Activewear were $3,973,645 and $1,757,904, respectively, in 2015.

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(20) Geographic Area Information

	Years Ended or at January 2, 2016		January 3, 2015		December 28, 2013	
	Sales	Long-Lived Assets	Sales	Long-Lived Assets	Sales	Long-Lived Assets
United States	$4,594,665	$130,147	$4,525,216	$126,239	$4,133,645	$132,980
Europe	713,308	78,783	302,397	91,497	4,721	421
Canada	105,869	1,196	140,132	1,316	142,004	1,561
Japan	119,693	867	107,820	524	101,371	563
Mexico	66,197	1,809	74,698	1,889	68,379	1,659
Brazil	31,934	4,322	48,462	2,643	53,062	1,912
China	5,065	106,663	9,152	116,656	17,827	132,564
Central America and the Caribbean Basin	4,180	276,402	3,832	278,678	3,568	267,277
Other	90,638	50,273	113,037	54,937	103,225	40,946
	$5,731,549	$650,462	$5,324,746	$674,379	$4,627,802	$579,883

The net sales by geographic region are attributed by customer location.

(21) Quarterly Financial Data (Unaudited)

	First	Second	Third	Fourth	Total
2015					
Net sales	$1,208,921	$1,522,033	$1,591,038	$1,409,557	$5,731,549
Gross profit	446,231	568,225	580,750	541,126	2,136,332
Net income	$52,636	$94,902	$162,154	119,163	428,855
Basic earnings per share	0.13	0.23	0.41	0.30	1.07
Diluted earnings per share	0.13	0.23	0.40	0.30	1.06
2014					
Net sales	$1,059,370	$1,342,052	$1,400,728	$1,522,596	$5,324,746
Gross profit	356,777	504,354	497,715	545,561	1,904,407
Net income	41,560	154,578	118,944	89,437	404,519
Basic earnings per share	0.10	0.38	0.30	0.22	1.01
Diluted earnings per share	0.10	0.38	0.29	0.22	0.99

(22) Consolidating Financial Information

In accordance with the indenture governing the Company's $1,000,000 6.375% Senior Notes issued on November 9, 2010, as supplemented from time to time, certain of the Company's subsidiaries have guaranteed the Company's obligations under the 6.375% Senior Notes. The following presents the condensed consolidating financial information separately for:

(i) Parent Company, the issuer of the guaranteed obligations. Parent Company includes Hanesbrands Inc. and its 100% owned operating divisions, which are not legal entities, and excludes its subsidiaries, which are legal entities;

(ii) Guarantor subsidiaries, on a combined basis, as specified in the Indentures;

(iii) Non-guarantor subsidiaries, on a combined basis;
(iv) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among Parent Company, the guarantor subsidiaries and the non-guarantor subsidiaries, (b) eliminate intercompany profit in inventory, (c) eliminate the investments in the Company's subsidiaries and (d) record consolidating entries; and
(v) The Company, on a consolidated basis.

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The 6.375% Senior Notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary, each of which is 100% owned, directly or indirectly, by Hanesbrands Inc. A guarantor subsidiary's guarantee can be released in certain customary circumstances. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use by the Parent Company and guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries that are eliminated upon consolidation.

Consolidating Statement of Comprehensive Income
Year Ended January 2, 2016

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	$4,306,019	$932,028	$3,349,144	$(2,855,642)	$5,731,549
Cost of sales	3,530,688	502,355	2,425,690	(2,863,516)	3,595,217
Gross profit	775,331	429,673	923,454	7,874	2,136,332
Selling, general and administrative expenses	905,616	215,625	423,772	(3,799)	1,541,214
Operating profit	(130,285)	214,048	499,682	11,673	595,118
Equity in earnings of subsidiaries	687,504	433,242	—	(1,120,746)	—
Other expenses	3,210	—	—	—	3,210
Interest expense, net	88,910	—	28,830	295	118,035
Income before income tax expense	465,099	647,290	470,852	(1,109,368)	473,873
Income tax expense (benefit)	36,244	(3,563)	12,337	—	45,018
Net income	$428,855	$650,853	$458,515	$(1,109,368)	$428,855
Comprehensive income	$406,511	$650,853	$435,578	$(1,086,431)	$406,511

Consolidating Statement of Comprehensive Income
Year Ended January 3, 2015

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	$4,325,897	$839,306	$2,743,114	$(2,583,571)	$5,324,746
Cost of sales	3,728,833	437,262	2,105,317	(2,851,073)	3,420,339
Gross profit	597,064	402,044	637,797	267,502	1,904,407
Selling, general and administrative expenses	920,002	227,853	199,022	(6,424)	1,340,453
Operating profit	(322,938)	174,191	438,775	273,926	563,954
Equity in earnings of subsidiaries	833,642	276,369	—	(1,110,011)	—
Other expenses	2,599	—	—	—	2,599
Interest expense, net	76,096	2,228	17,312	751	96,387
Income before income tax expense	432,009	448,332	421,463	(836,836)	464,968

Income tax expense	27,490	12,210	20,749	—	60,449
Net income	$404,519	$436,122	$400,714	$(836,836)	$404,519
Comprehensive income	$268,947	$436,122	$386,959	$(823,081)	$268,947

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Consolidating Statement of Comprehensive Income
Year Ended December 28, 2013

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	$3,933,591	$762,257	$2,300,794	$(2,368,840)	$4,627,802
Cost of sales	3,097,826	396,489	1,852,065	(2,330,271)	3,016,109
Gross profit	835,765	365,768	448,729	(38,569)	1,611,693
Selling, general and administrative expenses	802,325	178,434	121,478	(5,730)	1,096,507
Operating profit	33,440	187,334	327,251	(32,839)	515,186
Equity in earnings of subsidiaries	425,833	215,230	—	(641,063)	—
Other expenses	17,501	—	—	—	17,501
Interest expense, net	95,116	(20)	6,867	(79)	101,884
Income before income tax expense	346,656	402,584	320,384	(673,823)	395,801
Income tax expense	16,162	21,850	27,295	—	65,307
Net income	$330,494	$380,734	$293,089	$(673,823)	$330,494
Comprehensive income	$411,090	$380,734	$282,050	$(662,784)	$411,090

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Condensed Consolidating Balance Sheet
January 2, 2016

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Cash and cash equivalents	$6,348	$7,683	$305,138	$—	$319,169
Trade accounts receivable, net	92,287	68,710	520,697	(1,277)	680,417
Inventories	1,123,320	145,533	656,714	(110,965)	1,814,602
Other current assets	32,793	10,775	57,331	2,780	103,679
Total current assets	1,254,748	232,701	1,539,880	(109,462)	2,917,867
Property, net	96,223	42,619	511,620	—	650,462
Trademarks and other identifiable intangibles, net	4,166	130,296	566,053	—	700,515
Goodwill	232,882	242,186	359,247	—	834,315
Investments in subsidiaries	4,595,424	2,229,254	—	(6,824,678)	—
Deferred tax assets	362,414	72,448	10,317	—	445,179
Receivables from related entities	5,145,108	5,099,420	2,366,888	(12,611,416)	—
Other noncurrent assets	60,388	319	9,995	—	70,702
Total assets	$11,751,353	$8,049,243	$5,364,000	$(19,545,556)	$5,619,040
Liabilities and Stockholders' Equity					
Accounts payable	$248,114	$21,733	$403,125	$—	$672,972
Accrued liabilities	168,440	51,766	240,528	(401)	460,333
Notes payable	—	—	117,785	—	117,785
Accounts Receivable Securitization Facility	—	—	195,163	—	195,163
Current portion of long-term debt	54,094	—	3,562	—	57,656
Total current liabilities	470,648	73,499	960,163	(401)	1,503,909
Long-term debt	2,136,531	—	117,631	—	2,254,162
Pension and postretirement benefits	307,738	—	54,528	—	362,266
Payables to related entities	7,462,706	3,691,969	1,456,741	(12,611,416)	—
Other noncurrent liabilities	97,839	11,659	113,314	—	222,812
Total liabilities	10,475,462	3,777,127	2,702,377	(12,611,817)	4,343,149
Stockholders' equity	1,275,891	4,272,116	2,661,623	(6,933,739)	1,275,891
Total liabilities and stockholders' equity	$11,751,353	$8,049,243	$5,364,000	$(19,545,556)	$5,619,040

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HANESBRANDS INC.
Notes to Consolidated Financial Statements — (Continued)
Years ended January 2, 2016, January 3, 2015 and December 28, 2013
(amounts in thousands, except per share data)

Condensed Consolidating Balance Sheet
January 3, 2015

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Cash and cash equivalents	$10,910	$10,796	$218,149	$—	$239,855
Trade accounts receivable, net	73,794	37,511	561,514	(771)	672,048
Inventories	958,376	120,341	607,356	(148,873)	1,537,200
Other current assets	38,446	11,224	51,394	—	101,064
Total current assets	1,081,526	179,872	1,438,413	(149,644)	2,550,167
Property, net	88,599	46,221	539,559	—	674,379
Trademarks and other identifiable intangibles, net	4,102	79,393	607,706	—	691,201
Goodwill	232,881	124,247	365,992	—	723,120
Investments in subsidiaries	3,732,783	1,792,790	—	(5,525,573)	—
Deferred tax assets	402,960	78,250	14,614	—	495,824
Receivables from related entities	4,585,755	4,471,644	2,087,280	(11,144,679)	—
Other noncurrent assets	55,540	428	17,534	—	73,502
Total assets	$10,184,146	$6,772,845	$5,071,098	$(16,819,896)	$5,208,193
Liabilities and Stockholders' Equity					
Accounts payable	$353,799	$11,925	$255,496	$—	$621,220
Accrued liabilities	190,739	61,339	238,249	1,112	491,439
Notes payable	—	—	144,438	—	144,438
Accounts Receivable Securitization Facility	—	—	210,963	—	210,963
Current portion of long-term debt	—	—	14,354	—	14,354
Total current liabilities	544,538	73,264	863,500	1,112	1,482,414
Long-term debt	1,176,500	—	437,497	—	1,613,997
Pension and postretirement benefits	399,931	—	72,072	—	472,003
Payables to related entities	6,544,095	3,270,513	1,330,071	(11,144,679)	—
Other noncurrent liabilities	132,310	12,609	108,887	(799)	253,007
Total liabilities	8,797,374	3,356,386	2,812,027	(11,144,366)	3,821,421
Stockholders' equity	1,386,772	3,416,459	2,259,071	(5,675,530)	1,386,772
Total liabilities and stockholders' equity	$10,184,146	$6,772,845	$5,071,098	$(16,819,896)	$5,208,193

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HANESBRANDS INC.
Notes to Consolidated Financial Statements — (Continued)
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Condensed Consolidating Statement of Cash Flows
Year Ended January 2, 2016

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash from operating activities	$441,619	$454,013	$491,816	$(1,160,441)	$227,007
Investing activities:					
Purchases of property, plant and equipment	(26,396)	(18,108)	(54,871)	—	(99,375)
Proceeds from sales of assets	6,624	4,358	4,422	—	15,404
Acquisition of business, net of cash acquired	—	(192,829)	—	—	(192,829)
Proceeds from sale of investments	—	—	—	—	—
Other	—	—	—	—	—
Net cash from investing activities	(19,772)	(206,579)	(50,449)	—	(276,800)
Financing activities:					
Borrowings on notes payable	—	—	1,167,681	—	1,167,681
Repayments on notes payable	—	—	(1,184,458)	—	(1,184,458)
Borrowings on Accounts Receivable Securitization Facility	—	—	231,891	—	231,891
Repayments on Accounts Receivable Securitization Facility	—	—	(247,691)	—	(247,691)
Borrowings on Revolving Loan Facility	5,272,000	—	—	—	5,272,000
Repayments on Revolving Loan Facility	(5,385,000)	—	—	—	(5,385,000)
Repayments of Euro Term Loan Facility	—	—	(289,079)	—	(289,079)
Borrowings on Term Loan A Facility	725,000	—	—	—	725,000
Repayments on Term Loan A Facility	(19,688)	—	—	—	(19,688)
Borrowings on Term Loan B Facility	425,000	—	—	—	425,000
Repayments on Term Loan B Facility	(3,188)	—	—	—	(3,188)
Borrowings on International Debt	—	—	10,676	—	10,676
Repayments on International Debt	—	—	(15,971)	—	(15,971)
Share repurchases	(351,495)	—	—	—	(351,495)
Cash dividends paid	(161,316)	—	—	—	(161,316)

Payments to amend and refinance credit facilities	(12,518)	—	(275)	—	(12,793)
Taxes paid related to net shares settlement of equity awards	(76,569)	—	—	—	(76,569)
Excess tax benefit from stock-based compensation	45,286	—	—	—	45,286
Other	2,672	—	(832)	856	2,696
Dividends paid to related entities	—	90	(157,895)	157,805	—
Net transactions with related entities	(886,593)	(250,637)	135,450	1,001,780	—
Net cash from financing activities	(426,409)	(250,547)	(350,503)	1,160,441	132,982
Effect of changes in foreign exchange rates on cash	—	—	(3,875)	—	(3,875)
Change in cash and cash equivalents	(4,562)	(3,113)	86,989	—	79,314
Cash and cash equivalents at beginning of year	10,910	10,796	218,149	—	239,855
Cash and cash equivalents at end of year	$6,348	$7,683	$305,138	$—	$319,169

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Notes to Consolidated Financial Statements — (Continued)
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Condensed Consolidating Statement of Cash Flows
Year Ended January 3, 2015

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash from operating activities	$1,012,798	$219,645	$381,797	$(1,106,150)	$508,090
Investing activities:					
Purchases of property, plant and equipment	(13,045)	(8,970)	(42,296)	—	(64,311)
Proceeds from sales of assets	83	55	6,982	—	7,120
Acquisition of business, net of cash acquired	—	—	(360,439)	—	(360,439)
Proceeds from sale of investments	—	—	64,380	—	64,380
Other	—	—	(5,065)	—	(5,065)
Net cash from investing activities	(12,962)	(8,915)	(336,438)	—	(358,315)
Financing activities:					
Borrowings on notes payable	—	—	158,217	—	158,217
Repayments on notes payable	—	—	(138,225)	—	(138,225)
Borrowings on Accounts Receivable Securitization Facility	—	—	161,167	—	161,167
Repayments on Accounts Receivable Securitization Facility	—	—	(131,994)	—	(131,994)
Borrowings on Revolving Loan Facility	3,536,000	—	—	—	3,536,000
Repayments on Revolving Loan Facility	(3,826,500)	—	—	—	(3,826,500)
Incurrence of debt under the Euro Term Loan Facility	—	—	476,566	—	476,566
Repayments of Euro Term Loan Facility	—	—	(2,226)	—	(2,226)
Repayments of assumed debt related to acquisition of business	—	—	(117,400)	—	(117,400)
Cash dividends paid	(119,607)	—	—	—	(119,607)
Payments to amend and refinance credit facilities	—	—	(6,011)	—	(6,011)
Proceeds from stock options exercised	—	—	—	—	—
Taxes paid related to net shares settlement of equity awards	(54,593)	—	—	—	(54,593)
	39,568	—	—	—	39,568

Excess tax benefit from stock-based compensation					
Other	1,741	—	332	(800)	1,273
Dividends paid to related entities	—	(10,338)	(10,463)	20,801	—
Net transactions with related entities	(571,230)	(197,407)	(317,512)	1,086,149	—
Net cash from financing activities	(994,621)	(207,745)	72,451	1,106,150	(23,765)
Effect of changes in foreign exchange rates on cash	—	—	(2,018)	—	(2,018)
Change in cash and cash equivalents	5,215	2,985	115,792	—	123,992
Cash and cash equivalents at beginning of year	5,695	7,811	102,357	—	115,863
Cash and cash equivalents at end of year	$10,910	$10,796	$218,149	$—	$239,855

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(amounts in thousands, except per share data)

Condensed Consolidating Statement of Cash Flows
Year Ended December 28, 2013

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash from operating activities	$757,127	$173,085	$301,962	$(640,893)	$591,281
Investing activities:					
Purchases of property, plant and equipment	(13,493)	(5,189)	(24,945)	—	(43,627)
Proceeds from sales of assets	3,338	33	2,718	—	6,089
Acquisition of business, net of cash acquired	—	(61,870)	(497,985)	—	(559,855)
Net cash from investing activities	(10,155)	(67,026)	(520,212)	—	(597,393)
Financing activities:					
Borrowings on notes payable	—	—	101,175	—	101,175
Repayments on notes payable	—	—	(91,027)	—	(91,027)
Borrowings on Accounts Receivable Securitization Facility	—	—	145,715	—	145,715
Repayments on Accounts Receivable Securitization Facility	—	—	(137,761)	—	(137,761)
Borrowings on Revolving Loan Facility	4,053,500	—	—	—	4,053,500
Repayments on Revolving Loan Facility	(3,654,000)	—	—	—	(3,654,000)
Redemption of debt under 8% Senior Notes	(250,000)	—	—	—	(250,000)
Cash dividends paid	(59,442)	—	—	—	(59,442)
Payments to amend and refinance credit facilities	(5,405)	—	(225)	—	(5,630)
Taxes paid related to net shares settlement of equity awards	(41,839)	—	—	—	(41,839)
Excess tax benefit from stock-based compensation	26,784	—	—	—	26,784
Other	6,395	—	(113)	—	6,282
Dividends paid to related entities	—	(6,696)	(7,049)	13,745	—
Net transactions with related entities	(822,887)	(93,471)	289,210	627,148	—
Net cash from financing activities	(746,894)	(100,167)	299,925	640,893	93,757
Effect of changes in foreign exchange rates on cash	—	—	(14,578)	—	(14,578)

Change in cash and cash equivalents	78	5,892	67,097	—	73,067
Cash and cash equivalents at beginning of year	5,617	1,919	35,260	—	42,796
Cash and cash equivalents at end of year	$5,695	$7,811	$102,357	$—	$115,863