The information in this offering memorandum is not complete and may be changed. This offering memorandum is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where such offer or sale is not permitted.

Subject to Completion, dated May 17, 2016

**NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES**

**PRELIMINARY OFFERING MEMORANDUM** **STRICTLY CONFIDENTIAL**

# *€450,000,000*

HANES Brands Inc

# Hanesbrands Finance Luxembourg S.C.A.

## *% Senior Notes due 2024*

## Guaranteed by Hanesbrands Inc.

Hanesbrands Finance Luxembourg S.C.A., a newly-formed corporate partnership limited by shares (*société en commandite par actions*) incorporated under the laws of the Grand Duchy of Luxembourg (the "Issuer"), is offering €450,000,000 aggregate principal amount of % Senior Notes due 2024 (the "notes"). The Issuer will pay interest on the notes on and of each year, commencing , 2016. The notes will mature on , 2024.

Prior to , 2024 (three months prior to the maturity date for the notes), the Issuer may redeem all or a portion of the notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, plus a "make-whole" premium. In addition, on or after , 2024 (three months prior to the maturity date for the notes), the Issuer may redeem all or a portion of the notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The Issuer may also redeem all, but not less than all, of the notes upon the occurrence of certain changes in applicable tax law.

If we experience specific kinds of changes in control and a ratings downgrade, the Issuer must offer to purchase the notes. See "Description of Notes—Change of Control Triggering Event."

The notes will initially be guaranteed (the "guarantees") on a senior unsecured basis by Hanesbrands Inc. (the "parent guarantor") and certain of its subsidiaries (the "subsidiary guarantors" and, together with the parent guarantor, the "guarantors") that guarantee our Euro Term Loan Facility (as defined below) and, in the future, by each of the parent guarantor's subsidiaries that guarantee certain material debt facilities of the Issuer or the guarantors or certain material debt securities issued by the Issuer or the guarantors. The notes will be the Issuer's senior unsecured obligations and will rank equally in right of payment with all of the Issuer's existing and future senior debt and senior in right of payment to any subordinated debt the Issuer may incur. The notes will be effectively subordinated to any of the Issuer's existing and future secured debt to the extent of the value of the collateral securing such debt. The guarantees will rank equally in right of payment with the applicable guarantors' existing and future senior debt and senior in right of payment to any subordinated debt that guarantor may incur. In addition, the notes will be structurally subordinated to the liabilities of our non-guarantor subsidiaries.

The validity and enforceability of certain of the guarantees and liability of certain of the guarantors will be subject to the limitations described in "Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees." The guarantees may be released under certain circumstances.

There is currently no public market for the notes. We expect to submit an application to list the notes on the Official List of the Luxembourg Stock Exchange and to admit the notes to trading on the Luxembourg Stock Exchange's Euro MTF Market (the "Euro MTF Market"). The Euro MTF Market is not a regulated market within the meaning of Directive 2004/39/EC on markets in financial instruments. There are no assurances that the notes will be admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market.

*See "Risk Factors" beginning on page 18 for a discussion of certain risks that you should consider in connection with an investment in the notes.*

**Offering Price: % plus accrued and unpaid interest, if any, from , 2016**

The notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other place. Unless they are registered, the notes may be offered only in transactions that are exempt from registration under the Securities Act and applicable state securities laws. We and the initial purchasers named below are offering the notes only to persons reasonably believed to be qualified institutional buyers under Rule 144A under the Securities Act and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. For further details about eligible offerees and resale restrictions, see "Transfer Restrictions" and "Plan of Distribution."

The notes will initially be issued in the form of one or more global notes in registered form. On their issue date, the global notes will be deposited and registered in the name of a nominee for a common depositary of Euroclear SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream").

We expect that the delivery of the notes will be made to investors in book-entry form on or about , 2016.

*Joint book-running managers*

**Barclays** **BofA Merrill Lynch**
**HSBC** **J.P. Morgan**

*Co-managers*

**BB&T Capital Markets** **PNC Capital Markets LLC** **SunTrust Robinson Humphrey**

Offering Memorandum dated , 2016

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**Hanesbrands Inc. is a Maryland corporation. The Issuer of the notes is Hanesbrands Finance Luxembourg S.C.A., a newly-formed corporate partnership limited by shares (*société en commandite par actions*) incorporated under the laws of the Grand Duchy of Luxembourg. Unless otherwise indicated or the context otherwise requires, in this offering memorandum, the terms "HBI," the "Company," "us," "we" and "our" refer to Hanesbrands Inc. and its consolidated subsidiaries, and the term "Issuer" refers to Hanesbrands Finance Luxembourg S.C.A. References to the "notes" include the related guarantees unless the context requires otherwise. References to "initial purchasers" refer to the firms listed on the cover page of this offering memorandum.**

**The Issuer is a wholly-owned, indirect subsidiary of Hanesbrands Inc. Our principal executive offices are located at 1000 East Hanes Mill Road, Winston-Salem, North Carolina 27105, and our telephone number at that address is (336) 519-8080. We use our corporate and investor relations websites (*www.hanes.com/corporate* and *www.hanes.com/investors*, respectively) as channels of distribution of company information. None of the information provided on or accessible through our website is incorporated into, or deemed to be a part of, this offering memorandum, and you should rely only on the information contained in this offering memorandum when making a decision as to whether to invest in the notes.**

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### Important Information About This Offering Memorandum

This offering memorandum has been prepared by the Issuer and the guarantors solely for use in connection with the proposed offering of the notes. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the notes. This offering memorandum may not be distributed to any person other than prospective investors and any person retained to advise such prospective investors with respect to the purchase of the notes, and any disclosure of the contents of this offering memorandum without our prior written consent is prohibited. By accepting delivery of this offering memorandum, you agree to the foregoing and you agree to not make copies of this offering memorandum or any documents referred to in this offering memorandum.

Each of the Issuer and the guarantors, having made all reasonable inquiries, confirm that, to the best of their knowledge, information and belief (having taken all reasonable care to ensure that such is the case), this offering memorandum contains all information that is material in the context of the issuance and offering of the notes, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading in any material respect, and that there are no other facts the omission of which would make this offering memorandum or any such information misleading in any material respect. The information contained in this offering memorandum is as of the date hereof. The Issuer and the guarantors accept responsibility for the information contained in this offering memorandum, accordingly.

None of the initial purchasers nor any employee of the initial purchasers have authorized the contents or circulation of this offering memorandum and do not assume any responsibility for, and will not accept any liability for, any loss suffered as a result of, arising out of, or in connection with this document or any of the information or opinions contained in it. In making an investment decision, you should rely only on the information contained in this offering memorandum. None of the Issuer, the guarantors or any of the initial purchasers have authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. None of the Issuer, the guarantors or any of the initial purchasers are making an offer of the notes in any jurisdiction where the offering is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

The initial purchasers and the trustee for the notes make no representation or warranty, express or implied, as to, and assume no responsibility for, the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers or the trustee as to the past or the future. The Issuer and the guarantors have furnished the information contained in this offering memorandum.

The initial purchasers will provide you with a copy of this offering memorandum and any related amendments or supplements. By receiving this offering memorandum, you acknowledge that you have had an opportunity to ask questions of the Issuer and the guarantors, and that you have received all answers you deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. You also acknowledge that you have not relied on the initial purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the notes.

In making an investment decision, you must rely solely on the information contained in this offering memorandum and your own examination of the Issuer and the guarantors and their respective subsidiaries and the terms of the offering of the notes, including the merits and risks involved. In addition, none of the Issuer, the guarantors, their respective subsidiaries and affiliates, the initial purchasers or the trustee, and none of any of their respective affiliates or representatives, are making any representation to you regarding the legality of an investment in the notes, and you should not construe anything in this offering memorandum as legal, business, financial or tax advice. You should consult your own advisers as to legal, tax, business, financial and related aspects of an investment in the notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals; none of the Issuer, the guarantors, their respective subsidiaries and affiliates, the initial purchasers or the trustee shall have any responsibility for any of the foregoing legal requirements. The distribution of this offering memorandum and the offering and sale of the notes in certain jurisdictions may be restricted by law. You should refer to "Transfer Restrictions" and "Plan of Distribution."

The notes will be available in book-entry form only. The Issuer expects that the notes sold pursuant to this offering memorandum will be issued in the form of one or more global notes. The global notes representing the notes will be deposited with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. Transfers of interests in the global notes will be effected through records maintained by Euroclear and Clearstream, respectively, and their respective participants. The notes will not be issued in definitive registered form except under the circumstances described in "Book-Entry Settlement and Clearance."

Application will be made to list the notes on the Official List of the Luxembourg Stock Exchange and to admit the notes to trading on the Euro MTF Market, and the Issuer will submit this offering memorandum to the Luxembourg Stock Exchange in connection with the listing application. In the course of any review by the Luxembourg Stock Exchange, the Issuer may be requested to make changes to the financial and other information included in this offering memorandum in producing listing particulars for such listing. Comments by the Luxembourg Stock Exchange may require significant modification to, or re-formulation of, information contained in this offering memorandum or may require the inclusion of additional information. The Issuer may also be required to update the information in this offering memorandum to reflect changes in our business, financial condition or results of operations and prospects. The Issuer cannot guarantee that its application for admission of the notes on the Official List of the Luxembourg Stock Exchange and the Euro MTF Market will be approved, and settlement of the notes is not conditioned on obtaining this admission. The Issuer may choose to apply to list the notes on another recognized stock exchange or may change the exchange on which the notes are listed in the future and without notice. Any investor or potential investor should not base any investment decision relating to the notes on the information contained in this offering memorandum after publication of the listing particulars and should refer instead to those listing particulars.

## Notice to Investors

### European Economic Area

Each initial purchaser, in relation to each Member State of the European Economic Area (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), has not made and will not make an offer of notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representatives nominated by us for any such offer; or
- in any circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall require us or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public," in relation to any notes in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means European Council Directive 2003/71/EC (as amended, including the Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### British Virgin Islands

With respect to the offer and sale of the notes, no invitation to the public in the British Virgin Islands has been or will be made to purchase the notes, and the notes may not be offered or sold directly or indirectly in the British Virgin Islands.

### Cayman Islands

With respect to the offer and sale of the notes, no invitation to the public in the Cayman Islands has been or will be made to purchase the notes, and the notes may not be offered or sold directly or indirectly in the Cayman Islands.

**Denmark**

This offering memorandum will not be registered with, and has not been approved or otherwise published by, the Danish Financial Supervisory Authority, the Danish Securities Council or the Danish Commerce and Companies Agency under the relevant Danish acts and regulations. The notes have not been offered or sold and may not be offered or sold or delivered directly or indirectly in Denmark by way of a public offering, unless in compliance with chapter 6 of the Danish Securities Trading Act and Executive Orders, including Executive Order No. 223 of March 10, 2010, issued pursuant thereto from time to time.

**France**

This offering memorandum has not been approved by, registered or filed with the *Autorité des Marchés Financiers* (the French financial markets authority) (the "AMF") and does not require a prospectus to be submitted for approval to the AMF. The notes may not be offered or sold, directly or indirectly, to the public in France, and offers and sales of the notes shall only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French Code *monétaire et financier*. This offering memorandum or any other circular, prospectus, form of application, advertisement, communication or other material relating to the notes will not be distributed or caused to be distributed to the public in France other than to those investors (if any) to whom offers and sales of the notes in France may be made, as described above. No re-transfer, directly or indirectly, of the notes in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offering (which are, in particular, embodied in articles L.411-1, L.411-2, L.412-1 and L.621-8 and seq. of the French Code *monétaire et financier*) shall be made.

**Germany**

The offering of the notes is not a public offering in the Federal Republic of Germany. The notes may be offered and sold in the Federal Republic of Germany only in accordance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other applicable German law. Consequently, in Germany, the notes will only be available to, and this offering memorandum and any other offering material in relation to the notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act. Any resale of the notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. The Issuer has not, and does not intend to, file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("BaFin") or obtain a notification to BaFin from another competent authority of a Member State of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17(3) of the German Securities Prospectus Act.

**Hong Kong**

The notes have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than: (a) to "professional investors," as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the laws of Hong Kong) (the "Companies Ordinance") or which do not constitute an offer to the public within the meaning of the Companies Ordinance.

No advertisement, invitation or document relating to the notes has been or will be issued which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong except if permitted under the securities laws of Hong Kong; and any advertisement, invitation or document relating to the notes will be issued only to persons outside Hong Kong or to "professional investors" as defined in the SFO and the rules made thereunder.

### Ireland

Each initial purchaser has represented and agreed that no action will be taken with respect to the notes in Ireland otherwise than in conformity with the provisions of (a) the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998, (b) the Companies Act 2014 (as amended) (the "2014 Act"), the Central Bank Acts 1942 to 2015 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 and (c) the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 1363 of the 2014 Act by the Central Bank of Ireland.

### Italy

This offering of the notes has not been registered pursuant to Italian securities legislation and, accordingly, no notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the notes be distributed in the Italy, except: (i) to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "Financial Services Act") and as defined in Article 34-ter, first paragraph, letter b) of *Commissione Nazionale per le Società e la Borsa* ("CONSOB") Regulation No. 11971 of May 14, 1999, as amended from time to time ("Regulation No. 11971"); or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971. Any offer, sale or delivery of the notes or distribution of copies of this offering memorandum or any other document relating to the notes in Italy under (i) or (ii) above must be: (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 385 (the "Banking Act"), the Financial Services Act of September 1, 1933, as amended, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and any other applicable law and regulations; (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

### Grand Duchy of Luxembourg

The notes may not be offered to the public in or from Luxembourg, as set in the Prospectus Directive and the Luxembourg law of July 10, 2005 having implemented the Prospectus Directive, as amended (the "Prospectus Law"), except that it may, with effect from and including the Relevant Implementation Date, make an offer of the notes to the public in Luxembourg at any time provided that the conditions set in Article 5 of the Prospectus Law are met and complied with.

### Netherlands

In the Netherlands, the notes may only be offered to qualified investors within the meaning of the Act on the Financial Supervision (*Wet op het financieel toezicht*, the "Dutch FSMA"). Each initial purchaser agrees that it has not offered or sold, and will not offer or sell or cause to be offered or sold, directly or indirectly, the notes to the public in the Netherlands and has not distributed or caused to be distributed, and will not distribute or cause to be distributed, to the public in the Netherlands, directly or indirectly, the offering memorandum, or any other offering material relating to the notes, and that such offers, sales and distributions have been and will be made in the Netherlands only to qualified investors as defined in the Dutch FSMA.

### Switzerland

The offering of the notes is not a public offering in Switzerland. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland.

Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to Article 652a and/or Article 1156 of the Swiss Code of Obligations and this offering memorandum or any other offering or marketing material relating to the notes is not subject to the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The notes will not be listed on the SIX Swiss Exchange Ltd., and, therefore, the documents relating to the notes, including, but not limited to, this offering memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd. and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd.

The notes are being offered in Switzerland by way of a private placement (i.e., to a limited number of selected investors only), without any public advertisement and only to investors who do not purchase the notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This offering memorandum, as well as any other offering or marketing material relating to the notes, is personal and confidential and does not constitute an offer to any other person. This offering memorandum, as well as any other material relating to the notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly or indirectly be distributed or made available to other persons without the Issuer's express consent. This offering memorandum, as well as any other offering or marketing material relating to the notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

**United Kingdom**

The initial purchasers (i) may only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us or the guarantors; and (ii) are required to comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

## Stabilization

IN CONNECTION WITH THE OFFERING OF THE NOTES, BARCLAYS BANK PLC (THE "STABILIZING MANAGER"), OR PERSONS ACTING ON BEHALF OF STABILIZING MANAGER, MAY OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER OR PERSONS ACTING ON ITS BEHALF WILL UNDERTAKE ANY STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE NOTES, OR NO LATER THAN 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

## Cautionary Statement Regarding Forward-Looking Statements

This offering memorandum contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. 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: "anticipate," "intend," "plan," "goal," "seek," "aim," "strive," "believe," "project," "predict," "estimate," "expect," "continue," "strategy," "future," "likely," "may," "might," "should," "will," the negative of these terms and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding: guidance and predictions relating to expected operating results; strategic actions, including acquisitions and dispositions, anticipated benefits from strategic actions, and our success in integrating acquired businesses; anticipated levels of capital expenditures in future periods; our belief that we have sufficient liquidity to fund our ongoing business operations; expectations of the effect on our financial condition of claims, litigation, environmental costs, contingent liabilities and governmental and regulatory investigations and proceedings; and our strategy for growth and product development.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: our ability to successfully integrate acquired businesses; any inadequacy, interruption, integration failure or security failure with respect to our information technology; the impact of significant fluctuations and volatility in various input costs, such as cotton and oil-related materials, utilities, freight and wages; our ability to manage our inventory effectively and accurately forecast demand for our products; the highly competitive and evolving nature of the industry in which we compete; the risk of improper conduct by any of our employees, agents or business partners that threatens our reputation and ability to do business; our complex multinational tax structure; significant fluctuations in foreign exchange rates; our ability to access sufficient capital at reasonable rates or commercially reasonable terms or to maintain sufficient liquidity in the amounts and at the times needed; risks associated with our indebtedness; and the other factors described under the caption "Risk Factors" of this offering memorandum.

Any forward-looking statement in this offering memorandum speaks only as of the date of this offering memorandum. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

## Presentation of Financial Information

### Financial Information Included in This Offering Memorandum

We present in this offering memorandum financial information for the parent guarantor and its consolidated subsidiaries. We have included in this offering memorandum our audited consolidated financial statements for the years ended January 2, 2016, January 3, 2015 and December 28, 2013 and our unaudited condensed consolidated financial statements for the quarters ended April 2, 2016 and April 4, 2015. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). We do not separately present the financial information of the Issuer because the Issuer is a newly-formed company that has been formed solely for the purposes of issuing the notes. As of the date the notes are issued, the Issuer will not conduct any operating activities, hold any material assets, other than the proceeds of this offering, or have any material liabilities, other than the notes, and the Issuer has not engaged in any activities other than those related to its formation in preparation for the issuance of the notes.

### Change in Presentation of Certain Segment-Level Financial Information

As a result of a shift in management responsibilities, we decided during the first quarter of 2016 to change the reporting of certain segment-level financial information previously included in our public filings made with the U.S. Securities and Exchange Commission ("SEC"), including (1) by moving our wholesale e-commerce business from our Direct to Consumer segment into our Innerwear and Activewear segments and (2) changing how we allocate certain selling, general and administrative expenses between segments. The financial results relating to segment information for the fiscal quarter ended April 2, 2016 and the fiscal quarter ended April 4, 2015 contained in this offering memorandum discussed under "Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," and in our consolidated financial statements included in this offering memorandum, reflect these changes to the reporting of our segment-level financial information. However, the financial results relating to segment information for the fiscal years ended January 2, 2016, January 3, 2015 and December 28, 2013 contained in this offering memorandum and in our consolidated financial statements do not reflect these changes to the reporting of our segment-level financial information.

### Presentation of Condensed Financial Information Concerning the Guarantors

The information in this offering memorandum relates to an offering that is exempt from registration under the Securities Act, and this offering memorandum does not contain financial statement footnote disclosure about the guarantors compared to our non-guarantor subsidiaries, which would be required as part of a registered offering. The financial information contained in Note 22, "Consolidating Financial Information" in the notes to our audited consolidated financial statements for the years ended January 2, 2016, January 3, 2015 and December 28, 2013 and Note 13, "Consolidating Financial Information" in the notes to our unaudited condensed consolidated financial statements for the quarters ended April 2, 2016 and April 4, 2015, each of which is included elsewhere in this offering memorandum, provide financial information regarding the guarantors of the 6.375% Senior Notes due 2020 issued by the parent guarantor, which have been called for redemption and discharged. Our subsidiaries guaranteeing the 6.375% Senior Notes due 2020 are not the same as the guarantors, and you should not rely on the information in these footnotes as indicative of the financial condition or results of operations of the guarantors.

## Market Share, Ranking, Industry Data and Forecasts

This offering memorandum includes market share, ranking, industry data and forecasts that we obtained from industry publications, surveys, public filings and internal company sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of the information. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under "Risk Factors" in this offering memorandum. Neither we nor the initial purchasers can guarantee the accuracy or completeness of such information contained in this offering memorandum.

## Trademarks, Service Marks and Tradenames

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. Solely for convenience, the trademarks, service marks and tradenames referred to in this offering memorandum are listed without the ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and tradenames.

## Currency Presentation

In this offering memorandum, all references to "euro," "EUR" or "€" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, all references to "U.S. dollars," "US$" and "$" are to the lawful currency of the United States of America, and all references to "AUD$" are to the lawful currently of the Commonwealth of Australia. We publish our financial statements in U.S. dollars.

## Exchange Rates

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Generic Composite Rate expressed as U.S. dollars per €1.00. The Bloomberg Generic Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Generic Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. Neither we nor the initial purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate. The exchange rate of the euro on May 12, 2016 was U.S.$1.1377=€1.00.

| Period | High | Low | Average (1) | Period end |
|---|---|---|---|---|
| 2010 | 1.4513 | 1.1923 | 1.3266 | 1.3384 |
| 2011 | 1.4830 | 1.2907 | 1.3926 | 1.2961 |
| 2012 | 1.3458 | 1.2061 | 1.2860 | 1.3193 |
| 2013 | 1.3802 | 1.278 | 1.3285 | 1.3743 |
| 2014 | 1.3934 | 1.2098 | 1.3285 | 1.2098 |
| 2015 | 1.2104 | 1.0496 | 1.1102 | 1.0862 |
| January 2016 | 1.0985 | 1.0711 | 1.0866 | 1.0831 |
| February 2016 | 1.1376 | 1.0815 | 1.1044 | 1.0873 |
| March 2016 | 1.1412 | 1.0822 | 1.1142 | 1.1380 |
| April 2016 | 1.1465 | 1.1217 | 1.1340 | 1.1451 |
| May 1 through May 12, 2016 | 1.1616 | 1.1359 | 1.1434 | 1.1377 |

(1) The average of the last price on each day of the relevant period.

Our inclusion of the exchange rate information set forth above is not meant to suggest that the euro amounts actually represent U.S. dollar amounts or that these amounts could have been converted into U.S. dollars at any particular rate, if at all.

## Summary

*This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should read this entire offering memorandum and the other documents to which we refer for a more complete understanding of our business and this offering. Please read the section entitled "Risk Factors" for more information about important factors you should consider before investing in the notes.*

### Our Company

We are 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, we primarily operate our own manufacturing facilities. More than 80% 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% of U.S. households have our products in them. We revolutionized Tagless T-shirts and underwear, we invented the sports bra and 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. In April 2015, we acquired Knights Holdco, Inc., a leading seller of licensed collegiate logo apparel primarily in the mass retail channel. As described below under "—Recent Developments," in April 2016 we entered into agreements to acquire Champion Europe S.p.A. ("Champion Europe"), which owns the trademark for the *Champion* brand in Europe, the Middle East and Africa, as well as Pacific Brands Limited ("Pacific Brands"), the leading underwear and intimate apparel company in Australia. 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. We are the only apparel producer to ever be honored by the Great Place to Work Institute for its workplace practices in Central America and the Caribbean, and in 2015 were ranked No. 160 on the Forbes magazine list of America's Best Employers. For seven consecutive years, Hanesbrands has won the U.S. Environmental Protection Agency Energy Star sustained excellence/partner of the year award—the only apparel company to earn sustained excellence honors. In 2015, we ranked No. 246 on Newsweek magazine's green list of 500 largest U.S. companies.

## Our Brands and Operations

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.

*Hanes* is the largest and most widely recognized brand in our portfolio. *Hanes* is the number one brand of total apparel in the United States and is found in eight out of ten 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.

*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. As described below under "—Recent Developments," we recently entered into an agreement to acquire Champion Europe, which owns the trademark for the *Champion* brand in Europe, the Middle East and Africa.

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 the United States' 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 the United States and has been trusted for modern, sensual style in bras, panties and shapewear since 1922. As described below under "—Recent Developments," we recently entered into an agreement to acquire Pacific Brands, which owns the *Bonds* brand, an iconic century-old brand that holds the No. 1 market share in Australia for men's underwear, women's underwear, children's underwear, babywear and socks, as well as the No. 3 position in Australia in bras.

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: Innerwear, Activewear, Direct to Consumer and International. Each segment is organized principally by product category, geographic location or distribution channel. Each segment also has its own management that is responsible for the operations of the segment's businesses, but all segments share a common supply chain and media and marketing platforms.

| 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.

During the fiscal quarter ended April 2, 2016, net sales from our Innerwear segment were $560.7 million, representing approximately 46% of net sales, net sales from our Activewear segment were $309.5 million, representing approximately 25% of total net sales, net sales from our Direct to Consumer segment were $69.8 million, representing approximately 6% of total net sales and net sales from our International segment were $279.1 million, representing approximately 23% of total net sales and included sales in Europe, Asia, Latin America, Canada, Australia, the Middle East, Africa and the Caribbean. For information on our change to certain segment-level financial information, please see "Presentation of Financial Information."

## Our Competitive Strengths

*Strong brands with leading market positions*. At our core, we are a branded company. Our portfolio of leading brands hold the number one or number two U.S. market position by units sold in most product categories in which we compete. In fact, *Hanes*, our largest brand, can be found in over eight out of ten households in the United States. In apparel, brands matter—they are built over time through hundreds of millions of interactions with consumers. Over the past decade we have spent over $1 billion on innovation, research and development, quality improvements and advertising to further strengthen our brands as well as our relationship with consumers. That strong consumer relationship, coupled with the replenishment nature of our categories, is an important driver of our revenue stream.

*High-volume, core basic apparel products*. We sell high-volume, frequently replenished core basic apparel products. The majority of our core styles continue from year to year, with variations only in color, fabric or design details, and are frequently replenished by consumers. We believe that our status as a high-volume seller of core basic apparel products creates a more predictable revenue base and reduces our exposure to fashion shifts often observed in the general apparel industry.

*Significant scale of operations.* Hanesbrands is the largest basic apparel company in the world, selling innerwear and activewear in the Americas, Asia, Australia and Europe. Most of our products are sold to large retailers that have high-volume demands. 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.

*Global supply chain.* We believe that our supply chain provides us with a distinct competitive advantage and sets us apart from the vast majority of apparel companies. We have over 53,000 Hanesbrands employees in 47 large-scale, highly efficient facilities, grouped into three main clusters: Central America, the Caribbean Basin and Asia. We also manufacture hosiery and certain other products in various company-owned facilities in both the United States and Europe. Our supply chain is balanced between the Eastern and Western hemispheres. This balanced approach not only helps mitigate logistic and geo-political risks, but it also allows us to serve approximately 70% of the world's gross domestic product in a low-cost manner. By owning our supply chain, we have accumulated deep product and manufacturing knowledge, developed proven manufacturing processes and created a culture of continuous improvement. This provides us with a number of benefits that we believe have driven higher, sustainable profit margins.

*Strong customer relationships.* We sell our products primarily through large, high-volume retailers, including mass merchants, department stores and national chains. We have strong, long-term relationships with our top customers—in fact, all of our key customer relationships have been in place for ten years or more. We have aligned significant parts of our organization with corresponding parts of our customers' organizations. We also have entered into customer-specific programs such as our *C9 by Champion* products marketed and sold through Target.

*International presence.* We have a strong international presence, which we expect to continue to grow with the pending acquisitions of Champion Europe and Pacific 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.

**Key Business Strategies**

A key driver of our success over the last number of years has been our singular focus on executing our strategies. These strategies can be best summarized by our mantra of "Sell More," "Spend Less" and "Make Acquisitions." "Sell More" is continuing to deliver great innovation to consumers and quickly growing ecommerce. "Spend Less" is continuing to leverage our company-owned, low-cost supply chain as well as our infrastructure. "Make Acquisitions" is applying both our "Sell More" and "Spend Less" strategies to newly-acquired companies to generate substantial multi-year synergies.

*Innovate-to-elevate*. A key driver of "Sell More" is our Innovate-to-Elevate strategy, which for a number of years has been a significant contributor to both our revenue growth and margin expansion. Innovate-to-Elevate integrates our brand superiority, industry-leading innovation and low-cost supply chain to provide higher valued products while lowering production costs.

- *Brand power*. 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 market position in the United States by units sold in most product categories in which we compete. Internationally, our commercial markets include Europe, Japan, Canada, Mexico, Brazil and Australia, where we believe 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.
- *Platform innovation*. The second element of our Innovate-to-Elevate strategy is platform innovation. We focus on identifying the long-term megatrends that will impact our categories over the next five to ten 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. For example, 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.
- *Low-cost global supply chain*. 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. Our global supply chain has 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.

*Online sales.* The second strategy that we use to "Sell More" is driving online sales, an important channel in apparel. We have a three-pronged approach to growing our sales online: (1) we work directly with internet pure-plays in a wholesale relationship, (2) we support the online efforts of our traditional retail partners and (3) we operate our own websites. We currently hold leading market shares in our key categories in the online channel. We expect online growth to accelerate, therefore, we are aggressively re-allocating people and marketing investments to capture this growth and to expand our market share.

*Supply chain and SG&A efficiencies.* We "Spend Less" by implementing two strategies: leveraging our company-owned, low-cost global supply chain and continually leveraging our SG&A. By owning our supply chain, we have accumulated deep product and manufacturing knowledge, developed proven manufacturing processes and created a culture of continuous improvement. This provides us with a number of benefits that we believe have driven higher, sustainable profit margins. For example, through our various continuous improvement programs we have generated, on average, $35 to $40 million per year in efficiency gains—and when we internalize production, we are able to lower our product costs by approximately 15% to 20%. In addition, by improving administrative processes with technology and Lean methodologies, as well as maintaining tight cost controls, we are able to leverage our SG&A and deliver significant improvement in our productivity without a corresponding increase in personnel.

*Acquisitions.* "Make Acquisitions" is an important component of our business model because it allows us to generate significant shareholder returns by creating value from the multi-year synergies we create through grafting our "Sell More" and "Spend Less" strategies onto the newly-acquired companies. We are focused on acquisitions that meet our strict criteria for strong likely returns with relatively low risk. Specifically, we seek acquisition candidates that are: (1) in our core categories; (2) provide complimentary growth opportunities in consumer segments, channels or geographies; (3) have high-probability cost synergies that leverage our supply chain and/or SG&A structure and (4) are accretive in year one, excluding integration costs.

## Recent Developments

### *Acquisitions*

On April 7, 2016, we entered into a definitive purchase agreement to acquire Champion Europe, which owns the trademark for the *Champion* brand in Europe, the Middle East and Africa. We have agreed to acquire the privately held Champion Europe, based in Italy, in an all-cash transaction. The purchase price will be ten times actual calendar 2016 earnings before interest, taxes, depreciation and amortization, subject to adjustment for cash, debt and working capital. We believe the final purchase price will be between €190 million and €210 million. The acquisition, which is subject to certain closing conditions, is expected to close in mid-2016.

On April 27, 2016, we entered into a scheme implementation deed to acquire Pacific Brands in an all-cash transaction. We will acquire Pacific Brands through a recommended court approved scheme of arrangement at a purchase price of approximately $800 million, which equals AUD$1.15 per share of Pacific Brands stock, less any special dividends paid by Pacific Brands prior to the closing. The acquisition, which is subject to certain closing conditions, is expected to close in the third quarter of 2016.

Pacific Brands is the leading underwear and intimate apparel company in Australia, with total sales over AUD$800 million for the 12-month period ended December 31, 2015. Pacific Brands currently has three business units—Underwear, Sheridan and Tontine & Dunlop. The company has undergone significant restructuring over the past two years to streamline its portfolio to focus on the core Underwear and Sheridan businesses. We intend to divest the Tontine pillow business and Dunlop flooring business following the acquisition because we do not consider these units to be part of Pacific Brands' core business.

Of the core business, Underwear accounts for approximately three-fourths of Pacific Brands' sales and includes underwear, bras, socks, hosiery, babywear and outerwear. The Underwear group operates more than 150 company retail stores and retailer shop-in-shops. Pacific Brands' biggest Underwear brand is the fast-growing *Bonds*, an iconic century-old brand that holds the No. 1 market share in Australia for men's underwear, women's underwear, children's underwear, babywear and socks, as well as the No. 3 position in bras in Australia. In addition, the *Berlei* brand of premium bras sold in department stores is No. 2 in overall bra market share in Australia and No. 1 in sports bras in Australia.

We intend to finance the Champion Europe and Pacific Brands acquisitions using a combination of the net proceeds of this offering, cash on hand and future debt financings.

***Refinancing Transactions***

On May 6, 2016, we completed the sale of $1.8 billion aggregate principal amount of senior notes, consisting of $900 million aggregate principal amount of 4.625% Senior Notes due 2024 and $900 million aggregate principal amount of 4.875% Senior Notes due 2026. We used the net proceeds from the offering to redeem in full our outstanding $1.0 billion aggregate principal amount of 6.375% Senior Notes due 2020, which have been called for redemption on June 2, 2016 in accordance with their terms, and to repay $706.5 million of our outstanding borrowings under our Revolving Credit Facility. As a result of our payment of the redemption price associated with our 6.375% Senior Notes due 2020, we have discharged all of our obligations under the indenture governing our 6.375% Senior Notes due 2020. We refer to these transactions, including the payment of all related fees and expenses, collectively, as the "Refinancing Transactions."

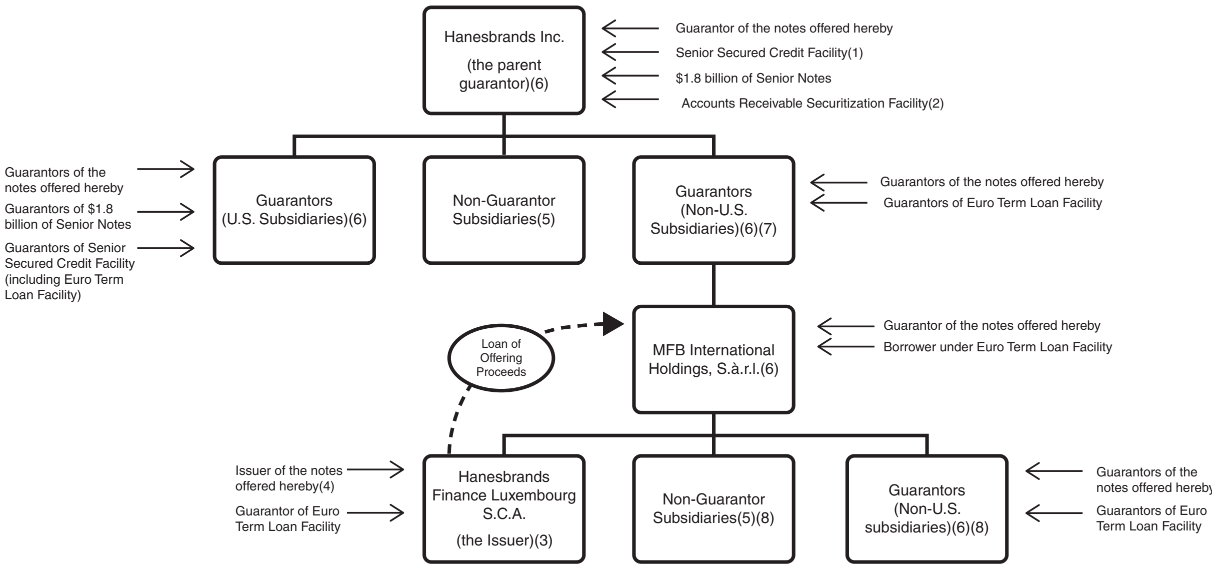
**The Issuer**

The Issuer is a corporate partnership limited by shares (*société en commandite par actions*) incorporated under the laws of Luxembourg on May 13, 2016. The Issuer was formed by MFB International Holdings S.à r.l. ("MFB International Holdings") for the purposes of issuing the notes offered hereby. The Issuer has no material assets or liabilities, and it has not engaged in any activities other than those related to its formation in preparation for offering of the notes. The Issuer's registered office is at 33, Rue du Puits Romain, L—8070 Bertrange, Grand Duchy of Luxembourg and is currently in the process of being registered with the Luxembourg Trade and Companies' Register.

The general partner of the Issuer is Hanesbrands GP Luxembourg S.à.r.l. ("Hanesbrands GP Luxembourg"), a limited company (*société à responsibilité limitée*) incorporated under the laws of Luxembourg on May 13, 2016. The general partner has no material assets or liabilities, and it has not engaged in any activities other than those related to its formation. The general partner's registered office is at 33, Rue du Puits Romain, L—8070 Bertrange, Grand Duchy of Luxembourg and is currently in the process of being registered with the Luxembourg Trade and Companies' Register.

### Our Corporate Structure

The following chart illustrates our basic corporate and debt structure following the completion of this offering and the application of the estimated net proceeds from this offering as set forth in "Use of Proceeds." Our debt to be outstanding following this offering and the application of the estimated net proceeds from this offering is further described under "Use of Proceeds," "Capitalization," "Description of Other Indebtedness" and "Description of Notes."




(1) Our Senior Secured Credit Facility (as defined below) consists of a $1.0 billion Revolving Credit Facility, a $725 million Term Loan A Facility (as defined below), a $425 million Term Loan B Facility (as defined below) and a €363 million Euro Term Loan Facility. As of April 2, 2016, after giving effect to the Refinancing Transactions, we would have had approximately $96.0 million outstanding under our Revolving Credit Facility (and approximately $888.6 million available for future borrowings, which may be used to, among other things, finance the acquisitions of Champion Europe and/or Pacific Brands).

(2) Our Accounts Receivable Securitization Facility (as defined below) consists of up to $275 million 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 April 2, 2016, the total amount outstanding under our Accounts Receivable Securitization Facility was $200 million (and we had no borrowing availability based on our borrowing limit under the facility as of April 2, 2016).

(3) The Issuer is a newly-formed corporate partnership limited by shares (*société en commandite par actions*) incorporated under the laws of the Grand Duchy of Luxembourg. MFB International Holdings, the direct parent of the Issuer, holds 100% of the limited shares of the Issuer, and Hanesbrands GP Luxembourg, the Issuer's general partner, holds the only unlimited share in the Issuer. MFB International Holdings is the sole shareholder of Hanesbrands GP Luxembourg. The Issuer expects to lend the proceeds from this offering to MFB International Holdings via one or more proceeds loans (the "Proceeds Loan"), the terms of which will mirror the terms of the notes, subject to requirements of applicable Luxembourg corporate and tax laws. We intend to use the proceeds from this offering together with cash on hand and future debt financings to finance the Champion Europe and Pacific Brands acquisitions. See "Use of Proceeds." As of the issue date of the notes, the Issuer will have no operations, material assets, other than receivables under the Proceeds Loan, or material liabilities, other than the notes, and will not have engaged in any activities other than those related to its formation in preparation for the issuance of the notes. The Issuer's ability to service its debt, including the notes, will depend entirely on the ability of MFB International Holdings, the obligor under the

Proceeds Loan, to make payments on the Proceeds Loan. MFB International Holdings will not be obliged to make any other payments or capital contribution to the Issuer other than those required under the Proceeds Loan. See “Risk Factors—Risks Relating to the Notes—The Issuer’s ability to pay principal and interest may be affected by our organizational structure because the Issuer is dependent upon payments from us and our other subsidiaries to fund payments to you on the notes.” In connection with this offering, the Issuer and its general partner, Hanesbrands GP Luxembourg, will become guarantors under our Euro Term Loan Facility and their shares and assets, including the Issuer’s receivable under the Proceeds Loan, will be pledged to secure our obligations under the Euro Term Loan Facility.

(4) The notes will be general senior unsecured obligations of the Issuer, will rank senior in right of payment to any of the Issuer’s future indebtedness that is expressly subordinated in right of payment to the notes and will rank *pari passu* in right of payment with the Issuer’s existing and future debt that is not so subordinated, including the Issuer’s obligations under the Senior Secured Credit Facility. The notes will be effectively subordinated to any existing and future secured indebtedness of the Issuer to the extent of the value of the property and assets securing such indebtedness.

(5) Our non-guarantor subsidiaries are primarily comprised of subsidiaries engaged in manufacturing operations to produce finished products for delivery to, and sale by, our guarantor subsidiaries as well as certain subsidiaries that sell products through our International segment. For the 12 months ended April 2, 2016, we estimate that these non-guarantor subsidiaries accounted for less than 15% of our sales, excluding intercompany transactions. As of April 2, 2016, our non-guarantor subsidiaries represented less than 40% of our total assets and had less than $900 million of total liabilities, including trade payables but excluding intercompany liabilities.

(6) The Issuer’s obligations under the notes will initially be guaranteed by the parent guarantor and by each existing and future domestic and international direct and indirect subsidiary of the parent guarantor that also guarantees indebtedness under our Euro Term Loan Facility (other than Maidenform Brands Spain, S.R.L. Unipersonal (“Maidenform Brands Spain”) and the subsidiaries of the parent guarantor incorporated in Honduras and El Salvador) and, in the future, by each of the parent guarantor’s subsidiaries that guarantee certain material debt facilities of the Issuer or the guarantors or certain material debt securities issued by the Issuer or the guarantors. The U.S. domiciled guarantors also guarantee on a senior basis the obligations of the parent guarantor under the senior notes issued on May 6, 2016 as part of the Refinancing Transactions (see “Summary—Refinancing Transactions”) and our Senior Secured Credit Facility (including our Euro Term Loan Facility). The validity and enforceability of certain of the guarantees and the liability of certain of the guarantors will be subject to the limitations described in “Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees.”

(7) On the issue date, Maidenform Brands Spain, HBI Italy Acquisition Co. S.r.l. (“HBI Italy Acquisition Co.”) and Hanesbrands Australia Acquisition Co. Pty Ltd (“Hanesbrands Australia Acquisition Co.”) will not be guarantors of the notes. Maidenform Brands Spain is currently a guarantor under our Euro Term Loan Facility, and we expect HBI Italy Acquisition Co. and Hanesbrands Australia Acquisition Co. will become guarantors under our Euro Term Loan Facility on or prior to the date of the consummation of our acquisitions of Champion Europe and Pacific Brands, respectively. We have agreed that these entities will guarantee the notes no later than 30 days after the consummation of this offering. See “Description of Notes—Certain Covenants—Future Guarantors.”

(8) As of April 2, 2016, we had approximately $9.6 million of debt outstanding stemming from debt we assumed in connection with the Hanes Europe Innerwear acquisition, $6.6 million of which was an obligation of one or more of our subsidiary guarantors. This outstanding long-term debt consists of mortgage loans and term loans collateralized by fixed assets.

## The Offering

The following summary contains basic information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to the section entitled "Description of Notes" in this offering memorandum.

| | |
|---|---|
| **Issuer** | Hanesbrands Finance Luxembourg S.C.A. |
| **Securities Offered** | €450,000,000 aggregate principal amount of % Senior Notes due 2024. |
| **Maturity Date** | The notes will mature on , 2024. |
| **Interest Rate** | Interest on the notes will accrue at a rate of % per year. |
| **Interest Payment Date** | and , commencing , 2016. Interest will accrue from , 2016. |
| **Form and Denomination** | €100,000 and integral multiples of €1,000 in excess thereof. Notes in denominations of less than €100,000 are not available. |
| **Optional Redemption** | Prior to , 2024 (three months prior to the maturity date of the notes), the Issuer may redeem all or a portion of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, plus a "make-whole" premium.<br><br>In addition, on or after , 2024 (three months prior to the maturity date of the notes) the Issuer may redeem all or a portion of the notes a redemption price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. |
| **Additional Amounts; Tax Redemption** | All payments in respect of the notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law in any Relevant Taxing Jurisdiction (as defined under "Description of Notes"), subject to certain exceptions, the Issuer or the relevant guarantor, as applicable, will pay additional amounts so that the net amount received is no less than the amount that would have been received in the absence of such withholding or deduction.<br><br>The Issuer may redeem the notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on or with respect to the notes and, as a result, the Issuer or a guarantor is required to pay additional amounts with respect to such withholding taxes. If the Issuer decides to exercise such redemption right, it must pay you a price equal to the |

principal amount of the notes plus accrued and unpaid interest and additional amounts, if any, in respect of such redeemed notes, to the redemption date. See "Description of Notes—Redemption for Taxation Reasons."

**Change of Control Offer** . . . . . . . . . . . . Upon the occurrence of Change of Control Triggering Event (as defined under "Description of Notes—Change of Control Triggering Event"), you will have the right, as holders of the notes, to cause the Issuer to repurchase your notes at 101% of their face amount, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date. See "Description of Notes—Change of Control Triggering Event."

**Guarantees** . . . . . . . . . . . . . . . . . . . . . . . . The notes will initially be guaranteed on a senior unsecured basis by the parent guarantor, Hanesbrands GP Luxembourg and by each of its subsidiaries that is a borrower or guarantor under our Euro Term Loan Facility (excluding Maidenform Brands Spain and the subsidiaries of the parent guarantor incorporated in Honduras and El Salvador) and, in the future, by each of the parent guarantor's subsidiaries that guarantee certain material debt facilities of the Issuer or the guarantors or certain material debt securities issued by the Issuer or the guarantors. Under certain circumstances, guarantors may be released from their guarantees without the consent of the holders of notes. See "Description of Notes—Guarantees."

On the issue date, Maidenform Brands Spain, HBI Italy Acquisition Co. and Hanesbrands Australia Acquisition Co. will not be guarantors of the notes. Maidenform Brands Spain is currently a guarantor under our Euro Term Loan Facility, and we expect HBI Italy Acquisition Co. and Hanesbrands Australia Acquisition Co. will become guarantors under our Euro Term Loan Facility on or prior to the date of the consummation of our acquisitions of Champion Europe and Pacific Brands, respectively. We have agreed that these entities will guarantee the notes no later than 30 days after the consummation of this offering. See "Description of Notes—Certain Covenants—Future Guarantors."

Our non-guarantor subsidiaries are primarily comprised of subsidiaries engaged in manufacturing operations to produce finished products for delivery to, and sale by, our guarantor subsidiaries as well as certain subsidiaries that sell products through our International segment. For the 12 months ended April 2, 2016, we estimate that these non-guarantor subsidiaries accounted for less than 15% of our sales, excluding intercompany transactions. As of April 2, 2016, our non-guarantor subsidiaries:

- represented less than 40% of our total assets; and
- had less than $900 million of total liabilities, including trade payables but excluding intercompany liabilities.

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|  | The validity and enforceability of certain of the guarantees and the liability of certain of the guarantors will be subject to the limitations described in "Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees." |
| **Ranking** | The notes and the guarantees will be senior unsecured obligations of the Issuer and the guarantors and will:<br>• rank equally in right of payment with all of the Issuer's and the guarantors' existing and future senior indebtedness, including obligations under the Senior Secured Credit Facility;<br>• rank senior in right of payment to all of the Issuer's and the guarantors' future subordinated indebtedness;<br>• be effectively subordinated in right of payment to all the Issuer's and the guarantors' existing and future secured indebtedness, to the extent of the value of the collateral securing such indebtedness (including all of our borrowings and the guarantors' guarantees under our Senior Secured Credit Facility); and<br>• be structurally subordinated in right of payment to all existing and future indebtedness and other liabilities (including trade payables) of each of our non-guarantor subsidiaries.<br><br>As of April 2, 2016, after giving effect this offering and the application of the estimated net proceeds from this offering as set forth in "Use of Proceeds," and the Refinancing Transactions:<br>• we would have had $3.85 billion of total consolidated indebtedness (including the notes);<br>• we would have had commitments available to be borrowed under our Revolving Credit Facility of approximately $888.6 million (which commitments may be borrowed to, among other things, finance the acquisitions of Champion Europe and/or Pacific Brands); and<br>• an aggregate of approximately $3.65 billion of total indebtedness would have been guaranteed by one or more of the guarantors. |
| **Covenants** | The Issuer will issue the notes under an indenture among the Issuer, the guarantors and U.S. Bank Trustees Limited, as trustee. The indenture will, among other things, limit the ability of the Issuer and the guarantors to:<br>• incur certain liens;<br>• enter into certain sale and leaseback transactions; and<br>• consolidate, merge or sell all or substantially all of our assets.<br><br>These covenants will be subject to a number of important exceptions and qualifications. For more details, see "Description of Notes." |
| **Transfer Restrictions** | We have not registered the notes under the Securities Act or the securities laws of any other jurisdiction, and the notes are subject to restrictions on transferability and resale. For more information, see "Transfer Restrictions." |

| | |
|---|---|
| **Use of Proceeds** | We intend to use the net proceeds from this offering together with cash on hand and future debt financings to finance the Champion Europe and Pacific Brands acquisitions. See "Use of Proceeds." |
| **Listing** | We expect to submit an application to list the notes on the Official List of the Luxembourg Stock Exchange and to admit the notes to trading on the Euro MTF Market. There are no assurances that the notes will be admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market.<br><br>The Issuer may choose to apply to list the notes on another recognized stock exchange or may, at any time, upon the good faith determination of the parent guarantor's senior management that the ongoing reporting requirements of the Luxembourg Stock Exchange are overly burdensome (including, for the avoidance of doubt, more burdensome than the parent guarantor's reporting requirements under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) to the Issuer, determine that it will not maintain such listing and may instead seek to obtain a listing of such notes on another recognized stock exchange. Nothing in this offering memorandum shall obligate the Issuer to list the notes, and there can be no assurance that an application to list the notes will be approved. Settlement of the notes is not conditioned on obtaining such listing. |
| **Absence of a Public Market for the Notes** | The notes are a new issue of securities, and there is currently no established trading market for the notes. We do not intend to apply for a listing of the notes on any securities exchange or an automated dealer quotation system, except that we expect to apply for a listing of the notes on the Official List of the Luxembourg Stock Exchange and for admission to trading of the notes on the Euro MTF Market. There are no assurances that the notes will be listed on the Official List of the Luxembourg Stock Exchange or that they will be admitted to trading on the Euro MTF Market. See "Listing and General Information." Accordingly, a liquid market for the notes may not develop. The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and any market making with respect to the notes may be discontinued without notice. |
| **Governing Law** | The indenture, the notes and the guarantees will be governed by the laws of the State of New York. |
| **Trustee** | U.S. Bank Trustees Limited. |
| **Paying Agent and Transfer Agent** | Elavon Financial Services Limited, UK Branch. |
| **Registrar** | Elavon Financial Services Limited. |
| **Listing Agent** | Arendt & Medernach SA. |

**Risk Factors**

In evaluating an investment in the notes, prospective investors should carefully consider, along with the other information contained in this offering memorandum, the specific factors set forth under “Risk Factors” for risks involved with an investment in the notes.

## Summary Historical Consolidated Financial Data

Set forth below is summary historical consolidated financial data of the company at the dates and for the periods indicated. The summary historical consolidated financial data as of January 2, 2016 and for the fiscal years ended January 2, 2016, January 3, 2015 and December 28, 2013 have been derived from our audited consolidated financial statements and the related notes included elsewhere in this offering memorandum. The summary historical consolidated financial data as of April 2, 2016 and for the three months ended April 2, 2016 and April 4, 2015 have been derived from our unaudited condensed consolidated interim financial statements and the related notes included elsewhere in this offering memorandum. The unaudited financial data presented have been prepared on a basis consistent with our audited consolidated financial statements. In the opinion of management, such unaudited financial data reflect all adjustments necessary for a fair presentation of the results for those periods. These historical results are not necessarily indicative of the results to be expected in the future. Our results for the three months ended April 2, 2016 are not necessarily of the results that may be expected for the entire year.

This summary historical consolidated financial data should be read in conjunction with the sections titled "Use of Proceeds," "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as with our consolidated financial statements and related notes included in this offering memorandum.

| | Three Months Ended | | Fiscal Year Ended | | |
|---|---|---|---|---|---|
| (in thousands) | April 2, 2016 | April 4, 2015 | January 2, 2016 | January 3, 2015 | December 28, 2013 |
| | (unaudited) | | | | |
| **Statement of income data** | | | | | |
| Net sales | $1,219,140 | $1,208,921 | $5,731,549 | $5,324,746 | $4,627,802 |
| Cost of sales | 761,884 | 762,690 | 3,595,217 | 3,420,339 | 3,016,109 |
| Gross profit | 457,256 | 446,231 | 2,136,332 | 1,904,407 | 1,611,693 |
| Selling, general and administrative expenses | 334,851 | 356,300 | 1,541,214 | 1,340,453 | 1,096,507 |
| Operating profit | 122,405 | 89,931 | 595,118 | 563,954 | 515,186 |
| Other expenses | 649 | 382 | 3,210 | 2,599 | 17,501 |
| Interest expense, net | 31,566 | 26,887 | 118,035 | 96,387 | 101,884 |
| Income before income tax expense | 90,190 | 62,662 | 473,873 | 464,968 | 395,801 |
| Income tax expense | 9,921 | 10,026 | 45,018 | 60,449 | 65,307 |
| Net income | $ 80,269 | $ 52,636 | $ 428,855 | $ 404,519 | $ 330,494 |
| **Statement of cash flows data** | | | | | |
| Net cash from operating activities | $ (284,806) | $ (259,345) | $ 227,007 | $ 508,090 | $ 591,281 |
| Net cash from investing activities | (19,635) | (31,633) | (276,800) | (358,315) | (597,393) |
| Net cash from financing activities | 314,684 | 333,754 | 132,982 | (23,765) | 93,757 |
| Effects of changes in foreign currency exchange rates | 3,010 | (5,564) | (3,875) | (2,018) | (14,578) |
| Change in cash and cash equivalents | 13,253 | 37,212 | 79,314 | 123,992 | 73,067 |
| **Selected other data** | | | | | |
| EBITDA(1) | $ 144,576 | $ 114,122 | $ 695,811 | $ 659,557 | $ 588,575 |

| (in thousands) | As of April 2, 2016 | As of January 2, 2016 |
|---|---|---|
| | (unaudited) | |
| **Balance sheet data** | | |
| Cash and cash equivalents | $ 332,422 | $ 319,169 |
| Total assets(2) | 5,822,061 | 5,597,590 |
| Total debt (including current portion) | 3,246,386 | 2,506,981 |
| Total stockholders' equity | 952,041 | 1,275,891 |

(1) EBITDA is a supplemental measure of our performance that is not required by, or presented in accordance with, U.S. GAAP. EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flows from operating activities as a measure of our liquidity.

We define "EBITDA" as net income before interest expense, net, income tax expense and depreciation and amortization. We caution investors that amounts presented in accordance with our definition of EBITDA may not be comparable to a similar measure disclosed by our competitors, because not all companies and analysts calculate EBITDA in the same manner. We present EBITDA because we consider it to be an important supplemental measure of our performance and believe that it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. Management also uses EBITDA for planning purposes in connection with setting our capital allocation strategy. Management believes that investors' understanding of our performance is enhanced by including this non-U.S. GAAP financial measure as a reasonable basis for comparing our ongoing results of operations.

By providing this non-U.S. GAAP financial measure, together with a reconciliation to the most comparable U.S. GAAP measure, we believe we are enhancing investors' understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing our strategic initiatives. Items excluded from this non-U.S. GAAP measure are significant components in understanding and assessing financial performance. In addition, the instruments governing our indebtedness, including our Senior Secured Credit Facility, the indenture governing our 4.625% Senior Notes due 2024 and our 4.875% Senior Notes due 2026, and the indenture that will govern the notes, use EBITDA (with additional adjustments) to measure our compliance with certain covenants. EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as an alternative to, or a substitute for net income or other financial statement data presented in our consolidated financial statements as indicators of financial performance. Some of the limitations are:

- such measure does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- such measure does not reflect changes in, or cash requirements for, our working capital needs;
- such measure does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- such measure does not reflect our tax expense or the cash requirements to pay our taxes;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and such measure does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate such measure differently than we do, limiting its usefulness as a comparative measure.

Due to these limitations, EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using this non-U.S. GAAP measure only on a supplemental basis.

The following table reconciles EBITDA to the most directly comparable U.S. GAAP financial performance measure, which is net income:

| (in thousands) | Three Months Ended | | Fiscal Year Ended | | |
|---|---|---|---|---|---|
| | April 2, 2016 | April 4, 2015 | January 2, 2016 | January 3, 2015 | December 28, 2013 |
| | (unaudited) | | | | |
| **EBITDA** | | | | | |
| Net income | $ 80,269 | $ 52,636 | $428,855 | $404,519 | $330,494 |
| Interest expense, net | 31,566 | 26,887 | 118,035 | 96,387 | 101,884 |
| Income tax expense | 9,921 | 10,026 | 45,018 | 60,449 | 65,307 |
| Depreciation and amortization | 22,820 | 24,573 | 103,903 | 98,202 | 90,890 |
| **EBITDA** | **$144,576** | **$114,122** | **$695,811** | **$659,557** | **$588,575** |

(2) Total assets as of April 2, 2016 and January 2, 2016 reflects the impact of recent accounting rules effective in the first quarter of 2016 that require debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability.

## Risk Factors

*An investment in the notes involves risk. In addition to the risks described below, you should also carefully read all of the other information included in this offering memorandum in evaluating an investment in the notes. If any of the described risks actually were to occur, our business, financial condition and results of operations could be affected materially and adversely. In that case, our ability to fulfill our obligations under the notes could be materially affected and you could lose all or part of your investment.*

*The risks described below are not the only ones facing our company. Additional risks not presently known to us or that we currently deem immaterial individually or in the aggregate may also impair our business operations.*

*The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Statements" in this offering memorandum.*

### Risks Relating to Our Business

**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 or our recently announced acquisitions of Champion Europe and Pacific Brands. 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.

**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 and industry standards enacted to protect business and personal data. Any failure to comply with these regulatory and industry 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.

**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 U.S. False Claims Act, the U.S. Employee Retirement Income Security Act, 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 U.S. Internal Revenue Service (the "IRS") 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 of 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 IRS 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.

**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 Credit 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.

**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 or hacker 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 and disaster recovery 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.

**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.

**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 ten customers accounted for 56% of our net sales and our top two customers, Wal-Mart Stores, Inc. ("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.

**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 U.S. 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, 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 such event, or if a licensee engages in behavior with respect to the licensed marks that may cause us reputational harm or otherwise tarnish or dilute the brands, we could experience a significant downturn in that brand's business, adversely affecting our sales and results of operations.

**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 significant expenditures on our part or 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, tarnishing 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 U.S. 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 represented 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.

**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.

**Risks Relating to the Notes**

**Our substantial indebtedness could adversely affect our business, financial condition and results of operations, as well as our ability to meet our payment obligations under the notes and our other debt.**

As of April 2, 2016, after giving effect to this offering and the application of the estimated net proceeds from this offering as set forth in "Use of Proceeds," and the Refinancing Transactions, we would have had $3.85 billion of outstanding debt. This level of debt could have significant consequences on our future operations, including:

- making it more difficult for us to satisfy our debt obligations, including the notes, and other ongoing business obligations, which may result in defaults;
- subjecting us to events of default if we fail to comply with the financial and other covenants contained in the agreements governing our debt instruments, which could result in all of our debt becoming immediately due and payable or require us to negotiate an amendment to financial or other covenants that could cause us to incur additional fees and expenses;
- subjecting us to the risk of increased sensitivity to interest rate increases in our outstanding indebtedness that bears interest at variable rates and could cause our debt service obligations to increase significantly;

- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industries in which we operate and the overall economy;
- placing us at a competitive disadvantage compared to any of our competitors that have less debt or are less leveraged; and
- increasing our vulnerability to the impact of adverse economic and industry conditions.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the notes and our other debt.

**Despite our current indebtedness levels, we may be able to incur substantially more debt. This could exacerbate further the risks associated with our leverage.**

Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our existing or any future credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under the notes and our other debt and to fund other liquidity needs.

We and our subsidiaries may incur substantial additional indebtedness, including secured indebtedness, for many reasons, including to fund the Champion Europe and Pacific Brands acquisitions, as well as other acquisitions we may pursue in the future. The terms of the indenture that will govern the notes generally will not restrict us from doing so. As of April 2, 2016, after giving effect to the Refinancing Transactions, we would have had approximately $888.6 million of commitments available to be borrowed under our Revolving Credit Facility (which commitments may be borrowed to, among other things, finance the acquisitions of Champion Europe and/or Pacific Brands). In addition, the indenture that will govern the notes will allow us to issue additional notes under certain circumstances, which will also be guaranteed by some or all of the guarantors. Although the indenture that will govern the notes will place some limitations on our ability, and the ability of our subsidiaries, to create liens securing indebtedness, there will be significant exceptions to these limitations that will allow us and our subsidiaries to secure significant amounts of indebtedness without equally and ratably securing the notes, including through our borrowings under our Revolving Credit Facility. If we or our subsidiaries incur secured indebtedness and such secured indebtedness is either accelerated or becomes subject to a bankruptcy, liquidation or reorganization, our and our subsidiaries' assets would be used to satisfy obligations with respect to the indebtedness secured thereby before any payment could be made on the notes that are not similarly secured. Subject to certain limitations, the indenture that will govern the notes also will not restrict our non-guarantor subsidiaries from incurring additional debt, which would be structurally senior to the notes. In addition, the indenture that will govern the notes will not prevent us or our subsidiaries from incurring other liabilities that do not constitute indebtedness. If new debt or other liabilities are added to our current debt levels, the related risks that we now face could intensify.

**The Issuer's ability to pay principal and interest may be affected by our organizational structure because the Issuer is dependent upon payments from us and our other subsidiaries to fund payments to you on the notes.**

The Issuer does not conduct any business operations and does not have any assets or sources of income, other than the Proceeds Loan and capital contributions. As a result, the Issuer's ability to make payments on the notes is dependent directly upon interest or other payments it receives from us and our other subsidiaries.

The parent guarantor and the subsidiary guarantors will guarantee the notes. A portion of the parent guarantor's operations and assets are conducted and owned by our subsidiaries. Accordingly, repayment of our indebtedness and our ability to make payments on the notes will be dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to the Issuer, by capital contribution, debt repayment or otherwise. Unless they guarantee the notes, any of our existing or future subsidiaries will not have any obligation to pay amounts due on the notes or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions or otherwise make funds available to the Issuer to make payments in respect of the notes. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries or the ability of our subsidiaries to make cash available to the Issuer. In addition, our repatriation of earnings from one or more of our non-U.S. subsidiaries may require us to pay additional taxes which increase our effective tax rate or cause us to reassess our tax reserves. The indenture that will govern the notes will not limit the ability of our subsidiaries to incur consensual encumbrances or restrictions on their ability to pay dividends or make other intercompany payments. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal, premium, if any, and interest payments on our indebtedness, including the notes. If we are unable to obtain sufficient funds from our subsidiaries, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot guarantee that such alternative financing would be possible or successful. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms would have an adverse effect on our business, financial condition, results of operations and cash flow as well as on our ability to pay interest or principal on the notes when due, or redeem the notes upon a Change of Control Triggering Event.

**Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.**

Borrowings under our Senior Secured Credit Facility are at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. Assuming all loans are fully drawn, each quarter point change in interest rates would result in a $5.6 million change in annual interest expense on our indebtedness under our Senior Secured Credit Facility. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

**Not all of our subsidiaries will guarantee the notes.**

The notes will initially be guaranteed on a senior unsecured basis by the parent guarantor, Hanesbrands GP Luxembourg and by each of its subsidiaries that is a borrower or guarantor under our Euro Term Loan Facility (excluding Maidenform Brands Spain and the subsidiaries of the parent guarantor incorporated in Honduras and El Salvador) and, in the future, by each of the parent guarantor's subsidiaries that guarantee certain material debt facilities of the Issuer or the guarantors or certain material debt securities issued by the Issuer or the guarantors. Under certain circumstances, guarantors may be released from their guarantees without the consent of the holders of notes. See "Description of Notes—Guarantees."

Our non-guarantor subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the notes or the guarantees or to make any funds available therefor, whether by dividends, loans, distributions or other payments. In addition, our non-guarantor subsidiaries may incur additional indebtedness in addition to indebtedness under our Senior Secured Credit Facility.

In the event that any of our non-guarantor subsidiaries becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, holders of their debt, and their trade creditors generally, will be entitled to payment on their claims from the assets of that subsidiary before any of those assets are made available to the Issuer or any guarantor. Consequently, your claims in respect of the notes will be structurally subordinated to all of the liabilities, including trade payables, of all of our subsidiaries that are not subsidiary guarantors, even though creditors under any other indebtedness incurred by our non-guarantor subsidiaries may not suffer subordination to the same extent.

On the issue date, Maidenform Brands Spain, HBI Italy Acquisition Co. and Hanesbrands Australia Acquisition Co. will not be guarantors of the notes. Maidenform Brands Spain is currently a guarantor under our Euro Term Loan Facility, and we expect HBI Italy Acquisition Co. and Hanesbrands Australia Acquisition Co. will become guarantors under our Euro Term Loan Facility on or prior to the date of the consummation of our acquisitions of Champion Europe and Pacific Brands, respectively. We have agreed that these entities will guarantee the notes no later than 30 days after the consummation of this offering. See "Description of Notes—Certain Covenants—Future Guarantors."

Our non-guarantor subsidiaries are primarily comprised of subsidiaries engaged in manufacturing operations to produce finished products for delivery to, and sale by, our guarantor subsidiaries as well as certain subsidiaries that sell products through our international segment. For the 12 months ended April 2, 2016, we estimate that these non-guarantor subsidiaries accounted for less than 15% of our sales, excluding intercompany transactions. As of April 2, 2016, our non-guarantor subsidiaries represented less than 40% of our total assets and had less than $900 million of total liabilities, including trade payables but excluding intercompany liabilities. Furthermore, the guarantees by subsidiaries that do guarantee the notes may be limited in certain jurisdictions. See "Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees."

**The notes will be effectively subordinated to any future secured indebtedness of the Issuer or that of the guarantors to the extent of the value of the property securing that indebtedness.**

The notes will not be secured by any of the Issuer's or the guarantors' assets. As a result, the notes and the guarantees will be effectively subordinated to any of the Issuer's and the guarantors' future secured indebtedness with respect to the collateral that secures that indebtedness, including our Senior Secured Credit Facility. The effect of this subordination is that upon a default in payment on, or the acceleration of, any of future secured indebtedness, or in the event of bankruptcy, insolvency, liquidation, dissolution or reorganization of the Issuer or the guarantors, the proceeds from the sale of assets securing such secured indebtedness will be available to pay obligations on the notes only after all indebtedness under such secured debt has been paid in full. As a result, the holders of the notes may receive less, ratably, than the holders of secured debt in the event of the Issuer's or the guarantors' bankruptcy, insolvency, liquidation, dissolution or reorganization.

**Insolvency laws and other limitations on the guarantees, including fraudulent conveyance and similar laws, may adversely affect their validity and enforceability.**

The Issuer's obligations under the notes will be guaranteed by the parent guarantor and the subsidiary guarantors. The parent guarantor is organized under the laws of the State of Maryland. The subsidiary guarantors are organized under the laws of the States of Delaware and Colorado, the British Virgin Islands, the Cayman Islands, France, Hong Kong, Ireland, Luxembourg and the Netherlands. Although laws differ among these jurisdictions, in general, applicable fraudulent transfer and conveyance and equitable principles, insolvency laws and similar laws and, in the case of the guarantees, limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the guarantee against a guarantor. The court may also in certain circumstances void the guarantee where a guarantor is close to or in the vicinity of insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency laws.

In an insolvency proceeding, it is possible that creditors of the guarantors or the appointed insolvency administrator may challenge the guarantees, and intercompany obligations generally, as fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- void or invalidate or declare ineffective all or a portion of a guarantor's obligations under its guarantee;
- direct that holders of the notes return any amounts paid under a guarantee to the relevant guarantor or to a fund for the benefit of the guarantor's creditors; and
- take other action that is detrimental to you.

If the Issuer cannot satisfy its obligations under the notes and any guarantee is found to be a fraudulent transfer or conveyance or an improper transfer of assets or is otherwise set aside, there can be no assurance that the Issuer can ever repay in full any amounts outstanding under the notes. In addition, the liability of each guarantor under its guarantee will be limited to the amount that will result in such guarantee not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court would apply in making a determination of the maximum liability. Also, there is a possibility that the entire guarantee may be set aside, in which case, the entire liability may be extinguished.

In order to initiate any of these actions under fraudulent or improper transfer or other applicable principles, courts may need to make findings that, at the time the guarantees were issued, a guarantor:

- issued such guarantee with the intent or knowledge of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others, or created such security after its insolvency;
- was aware of the fact that some creditors were disadvantaged over other creditors by these actions;
- issued such guarantee in a situation where a prudent businessman as a shareholder of such guarantor would have contributed no equity to such guarantor; or
- received less than reasonably equivalent value for incurring the debt represented by the guarantee on the basis that the guarantee was incurred for the Issuer's benefit, and only indirectly for the guarantor's benefit, or some other basis and (1) was insolvent or rendered insolvent by reason of the issue of the guarantee, or subsequently became insolvent for other reasons; (2) was engaged, or about to engage, in a business transaction for which the guarantor's assets were unreasonably small; or (3) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due.

However, less-stringent requirements may be provided under the laws of certain jurisdictions.

Different jurisdictions evaluate insolvency on various criteria, but a guarantor generally may, in different jurisdictions, be considered insolvent at the time it issued a guarantee if:

- its liabilities exceed the fair market value of its assets;
- it cannot pay its debts as and when they become due; or
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

Although we believe that the Issuer, the parent guarantor and each of the subsidiary guarantors are solvent, and will be so after giving effect to the offering of the notes, there can be no assurance which standard a court would apply in determining whether a guarantor was "insolvent" as of the date the guarantees were issued or that, regardless of the method of valuation, a court would not determine that a guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a guarantor was insolvent on the date its guarantee was issued, that payments to holders of the notes constituted fraudulent transfers on other grounds.

For an overview of the enforceability issues as they relate to the guarantees, see "Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees" with respect to some of the jurisdictions mentioned above.

**Corporate benefit, capital maintenance laws and other limitations on the guarantees may adversely affect the validity and enforceability of the guarantees.**

The laws of certain of the jurisdictions in which the guarantors are organized limit the ability of these entities to guarantee debt of a related company. These limitations arise under various provisions or principles of corporate law which include rules governing capital maintenance, under which, among others, the risks associated with a guarantee on account of a direct or indirect parent company's debt need to be reasonable and economically and operationally justified from the guarantor's perspective, as well as thin capitalization and fraudulent transfer principles. If these limitations are not observed, the guarantees by the guarantors could be subject to legal challenge. In accordance with the applicable laws of these jurisdictions, the guarantees will contain language limiting the amount of debt guaranteed so that applicable local law restrictions will not be violated. Accordingly, if you were to enforce the guarantees by a guarantor in one of these jurisdictions, your claims are likely to be limited. In some cases, where the amount that can be guaranteed is limited by reference to the net assets and legal capital of the guarantor or by reference to the outstanding debt owed by the relevant guarantor to the Issuer under intercompany loans, that amount might have reached zero or close to zero at the time of any insolvency or enforcement. Further, though we believe that the guarantees will be validly given by the guarantors, in accordance with local law restrictions, there can be no assurance that a third-party creditor would not successfully challenge the guarantees in legal proceedings.

Similarly, the laws of certain jurisdictions in which the guarantors are organized prohibit, under certain conditions and unless available exemption procedures were carried out, so-called "financial assistance" such as direct or indirect, and whether by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of an acquisition of that company's shares or shares of its direct or indirect controlling entity. The consequence of a breach of the financial assistance prohibition would be the absolute invalidity or ineffectiveness of the respective transactions. In these jurisdictions, the guarantees will contain language excluding certain types of obligations from the scope of such guarantees which, in turn, may limit the amount guaranteed or secured thereunder. See "Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees" for more information.

**Enforcing your rights as a holder of the notes may prove difficult, and insolvency laws of Luxembourg, the British Virgin Islands, the Cayman Islands, France, Hong Kong, Ireland or the Netherlands may not be as favorable to you as U.S. and other insolvency laws with which you may be more familiar.**

The Issuer is incorporated under the laws of the Grand Duchy of Luxembourg. In addition, the guarantors are incorporated under, among other jurisdictions, the laws of the British Virgin Islands, the Cayman Islands, France, Hong Kong, Ireland, Luxembourg and the Netherlands. Accordingly, insolvency proceedings with respect to the Issuer and the guarantors may proceed under, and be governed by, the laws of the jurisdiction of incorporation of the Issuer or a guarantor. Applicable local insolvency law may not be as favorable to your interests as the insolvency laws of the United States or other jurisdictions with which you are familiar, particularly with respect to the rights of creditors, priority of governmental and other creditors, the ability to raise post-petition interest and the duration of the insolvency proceedings. In the event that any one or more of the Issuer or any guarantor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. Additionally, in the event of a bankruptcy, insolvency or other similar proceeding, your rights under the notes or the guarantees may be subject to the laws of multiple jurisdictions, and there can be no assurance that you will be able to effectively enforce your rights in such multiple bankruptcy, insolvency or other similar proceedings. In addition, any conflict between them could call into question whether, and to what extent, the laws of any particular jurisdiction should apply and there can be no assurance as to how the insolvency laws of these jurisdictions will be applied in relation to one another. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. See also "Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees."

**Investors may not be able to recover in civil proceedings for U.S. securities law violations.**

The Issuer and a number of guarantors and their subsidiaries are organized or incorporated outside the United States. Some of the directors and executive officers of the Issuer and the guarantors are non-residents of, and a substantial portion of their assets are located outside of, the United States. Although the Issuer and the non-U.S. guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on the directors and executive officers of the Issuer and the guarantors who are non-US residents. In addition, as a substantial portion of of the assets of the Issuer and the non-guarantors and their subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in U.S. courts. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the non U.S. guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

Additionally, there is uncertainty as to whether the courts of foreign jurisdictions would enforce (i) judgments of United States courts obtained against the Issuer, the non-U.S. guarantors and the directors and executive officers who are not residents of the United States predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such foreign jurisdictions against us or such persons predicated upon the United States federal and state securities laws. The United States is not currently bound by a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with Luxembourg. There is, therefore, doubt as to the enforceability in Luxembourg of civil liabilities based upon U.S. securities laws in an action to enforce a U.S. judgment in Luxembourg. In addition, the enforcement in Luxembourg of any judgment obtained in a U.S. court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a Luxembourg court would have the requisite power or authority to grant remedies sought in an original action brought in Luxembourg on the basis of U.S. securities laws violations. For further information, see "Service of Process and Enforcement of Judgments."

**The Issuer may not be able to repurchase the notes upon a Change of Control Triggering Event.**

Upon the occurrence of specific kinds of change of control events of the parent guarantor and a ratings decline, the Issuer will be required to offer to repurchase all outstanding notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date. Additionally, under the Senior Secured Credit Facility, a change of control (as defined therein) constitutes an event of default that permits the lenders to accelerate the maturity of borrowings under the Senior Secured Credit Facility and the commitments to lend would terminate. The source of funds for any purchase of the notes and repayment of borrowings under the Senior Secured Credit Facility will be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowings, sales of assets or sales of equity. The Issuer may not be able to repurchase the notes upon a Change of Control Triggering Event because we may not have sufficient financial resources to purchase all of the debt securities that are tendered upon a Change of Control Triggering Event and repay our other indebtedness that will become due. If we fail to repurchase the notes in that circumstance, we will be in default under the indenture that will govern the notes. We may require additional financing from third parties to fund any such purchases by the Issuer, and we may be unable to obtain financing on satisfactory terms or at all. Further, the Issuer's ability to repurchase the notes may be limited by law. In order to avoid the obligations to repurchase the notes and events of default and potential breaches of the credit agreement governing the Senior Secured Credit Facility, we may have to avoid certain change of control transactions that would otherwise be beneficial to us.

In addition, certain important corporate events, such as leveraged recapitalizations, will not, under the indenture that will govern the notes, constitute a "change of control" that would require the Issuer to repurchase the notes, even though those corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings or the value of the notes. See "Description of Notes—Change of Control Triggering Event."

The exercise by the holders of notes of their right to require the Issuer to repurchase the notes pursuant to a change of control offer could cause a default under the agreements governing our other indebtedness, including future agreements, even if the change of control itself does not, due to the financial effect of such repurchases on us. In the event a change of control offer is required to be made at a time when we are prohibited from purchasing notes, we could attempt to refinance the borrowings that contain such prohibitions. If we do not obtain a consent or repay those borrowings, we will remain prohibited from purchasing notes. In that case, our failure to purchase tendered notes would constitute an event of default under the indenture that will govern the notes which could, in turn, constitute a default under our other indebtedness. Finally, the Issuer's ability to pay cash to the holders of notes upon a repurchase may be limited by our then existing financial resources.

**Holders of the notes may not be able to determine when a change of control giving rise to their right to have the notes repurchased has occurred following a sale of "substantially all" of our assets.**

One of the circumstances under which a change of control may occur is upon the sale or disposition of all or substantially all of our assets. There is no precise established definition of the phrase "substantially all" under applicable law, and the interpretation of that phrase will likely depend upon particular facts and circumstances. Accordingly, the ability of a holder of notes to require the Issuer to repurchase its notes as a result of a sale of less than all our assets to another person may be uncertain.

**Holders of the notes will not be entitled to registration rights, and we do not currently intend to register the notes under applicable securities laws. There are restrictions on your ability to transfer or resell the notes.**

The notes are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws, and we do not currently intend to register the notes. The holders of the notes will not be entitled to require us to register the notes for resale or otherwise. Therefore, you may transfer or resell the notes in the United States only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, and therefore you may be required to bear the risk of your investment for an indefinite period of time. In addition, by acceptance of delivery of any notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the notes that it shall not transfer the notes in an aggregate principal amount of less than €100,000. It is your obligation to ensure that your offers and sales of notes comply with these transfer restrictions and applicable law. See "Transfer Restrictions" for further information.

**Your ability to transfer the notes may be limited by the absence of an active trading market and an active trading market may not develop for the notes.**

The notes are a new issue of securities, and there is currently no established trading market for the notes. We do not intend to apply for a listing of the notes on any securities exchange or an automated dealer quotation system, except that we expect to apply for a listing of the notes on the Official List of the Luxembourg Stock Exchange and for admission to trading of the notes on the Euro MTF Market. Although an application will be made for the notes to be listed on the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market, we cannot assure you that the notes will become or remain listed. The Issuer may choose to apply to list the notes on another recognized stock exchange. In addition, upon the good faith determination of our senior management that the ongoing reporting requirements of the Luxembourg Stock Exchange are more burdensome than those under the Exchange Act, we may seek to obtain a listing of the notes on another recognized stock exchange. See "Description of Notes—Listing."

Although no assurance can be made as to the liquidity of the notes as a result of the admission to trading on the Euro MTF Market, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the notes, as applicable, from the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the notes, as applicable, in the secondary market.

Accordingly, an active market for the notes may not develop or be maintained, which would adversely affect the market price and liquidity of the notes. In such case, the holders of the notes may not be able to sell their notes at a particular time or at a favorable price. If a trading market were to develop, future trading prices of the notes may be volatile and will depend on many factors, including:

- the number of holders of notes;
- prevailing interest rates;
- our operating performance and financial condition;
- the interest of securities dealers in making a market for them; and
- the market for similar securities.

Even if an active trading market for the notes does develop, there is no guarantee that it will continue. Historically, the market for non-investment grade debt has been subject to severe disruptions that have caused substantial volatility in the prices of securities similar to the notes. The market, if any, for the notes may experience similar disruptions and any such disruptions may adversely affect the liquidity in that market or the prices at which you may sell your notes. In addition, subsequent to their initial issuance, the notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

The initial purchasers of the notes have advised us that they intend to make a market in the notes, as permitted by applicable laws and regulations. However, the initial purchasers are not obligated to make a market in the notes and, if commenced, may discontinue their market-making activities at any time without notice.

**A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital.**

Our debt currently has a non-investment grade rating, and any rating assigned could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the notes. Credit ratings are not recommendations to purchase, hold or sell the notes. Additionally, credit ratings may not reflect the potential effect of risks relating to the structure or marketing of the notes.

Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing. If any credit rating initially assigned to the notes is subsequently lowered or withdrawn for any reason, you may not be able to resell your notes without a substantial discount.

**Holders of the notes will receive payments solely in euros subject to limited exceptions.**

All payments of interest on and the principal of the notes and any redemption price for the notes will be made in euros, subject to certain limited exceptions. We, the initial purchasers and the trustee will not be obligated to convert, or to assist any registered owner or beneficial owner of notes in converting, payments of interest, principal, any redemption price or any additional amount in euros made with respect to the notes into U.S. dollars or any other currency.

**Holders of the notes may be subject to the effects of foreign currency exchange rate fluctuations, as well as possible exchange controls, relating to the euro.**

The initial investors in the notes will be required to pay for the notes in euros. Neither we nor the initial purchasers will be obligated to assist the initial investors in obtaining euros or in converting other currencies into euros to facilitate the payment of the purchase price for the notes.

An investment in any security denominated in, and all payments with respect to which are to be made in, a currency other than the currency of the country in which an investor in the notes resides or the currency in which an investor conducts its business or activities (the "investor's home currency"), entails significant risks not associated with a similar investment in a security denominated in the investor's home currency. In the case of the notes offered hereby, these risks may include the possibility of:

- significant changes in rates of exchange between the euro and the investor's home currency; and
- the imposition or modification of foreign exchange controls with respect to the euro or the investor's home currency.

We have no control over a number of factors affecting the notes offered hereby and foreign exchange rates, including economic, financial and political events that are important in determining the existence, magnitude and longevity of these risks and their effects. Changes in foreign currency exchange rates between two currencies result from the interaction over time of many factors directly or indirectly affecting economic and political conditions in the countries issuing such currencies, and economic and political developments globally and in other relevant countries. Foreign currency exchange rates may be affected by, among other factors, existing and expected rates of inflation, existing and expected interest rate levels, the balance of payments between countries, and the extent of governmental surpluses or deficits in various countries. All of these factors are, in turn, sensitive to the monetary, fiscal and trade policies pursued by the governments of various countries important to international trade and finance. Moreover, the recent global economic crisis and the actions taken or to be taken by various national governments in response to the crisis could significantly affect the exchange rates between the euro and the investor's home currency.

The exchange rates of an investor's home currency for euros and the fluctuations in those exchange rates that have occurred in the past are not necessarily indicative of the exchange rates or the fluctuations therein that may occur in the future. Depreciation of the euro against the investor's home currency would result in a decrease in the investor's home currency equivalent yield on a note, in the investor's home currency equivalent of the principal payable at the maturity of that note and generally in the investor's home currency equivalent market value of that note. Appreciation of the euro in relation to the investor's home currency would have the opposite effects.

The European Union or one or more of its member states may, in the future, impose exchange controls and modify any exchange controls imposed, which controls could affect exchange rates, as well as the availability of euros at the time of payment of principal of, interest on, or any redemption payment or additional amounts with respect to, the notes.

This description of foreign exchange risks does not describe all the risks of an investment in securities, including, in particular, the notes, that are denominated or payable in a currency other than an investor's home currency. You should consult your own financial and legal advisers as to the risks involved in an investment in the notes.

**In a lawsuit for payment on the notes, an investor may bear currency exchange risk.**

The indenture is, and the notes will be, governed by the laws of the State of New York. Under New York law, a New York state court rendering a judgment on the notes would be required to render the judgment in euros. However, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on the notes, investors would bear currency exchange risk until a New York state court judgment is entered, which could be a significant amount of time. A federal court sitting in New York with diversity jurisdiction over a dispute arising in connection with the notes would apply New York law.

In courts outside of New York, investors may not be able to obtain a judgment in a currency other than U.S. dollars. For example, a judgment for money in an action based on the notes in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of euro into U.S. dollars would depend upon various factors, including which court renders the judgment and when the judgment is rendered.

**If certain changes to tax law were to occur, the Issuer would have the option to redeem the notes.**

If certain changes in the law of any Relevant Taxing Jurisdiction, as described under "Description of Notes—Redemption for Taxation Reasons," become effective that would impose withholding taxes or other deductions on the payments on the notes, the Issuer may redeem the notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. The Issuer is unable to determine whether such changes to any tax laws will be enacted, but if such changes do occur, the notes will be redeemable at the Issuer's option.

## Use of Proceeds

We estimate that the net proceeds from this offering of the notes will be approximately $501.4 million, after deducting estimated discounts and commissions to the initial purchasers and estimated fees and expenses payable by us. We intend to use the net proceeds from this offering together with cash on hand and future debt financings to finance the Champion Europe and Pacific Brands acquisitions. Pending use of the net proceeds from this offering as described above, we intend to invest the net proceeds in short-term interest-bearing accounts, securities or similar investments.

## Capitalization

The following table sets forth our cash and cash equivalents, indebtedness and capitalization as of April 2, 2016 (i) on an actual basis; and (ii) on an as adjusted basis to give effect to this offering and the application of the estimated net proceeds from this offering as set forth in "Use of Proceeds," and the Refinancing Transactions.

This table should be read in conjunction with, and is qualified in its entirety by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and unaudited condensed consolidated interim financial statements and the related notes included elsewhere in this offering memorandum.

| | As of April 2, 2016 | |
|---|---|---|
| **(in thousands)** | **Actual** | **As Adjusted(1)** |
| | **(unaudited)** | |
| Cash and cash equivalents(2) | $ 332,422 | $ 833,841 |
| Total debt(3): | | |
| Senior Secured Credit Facility: | | |
| Revolving Credit Facility(4) | $ 802,500 | $ 95,953 |
| Euro Term Loan Facility | 117,304 | 117,304 |
| Term Loan A Facility | 696,250 | 696,250 |
| Term Loan B Facility | 420,750 | 420,750 |
| 6.375% senior notes due 2020(5) | 1,000,000 | — |
| 4.625% senior notes due 2024 | — | 900,000 |
| 4.875% senior notes due 2026 | — | 900,000 |
| % senior notes due 2024 offered hereby(6) | — | 512,100 |
| Other international debt | 9,582 | 9,582 |
| Accounts Receivable Securitization Facility | 200,000 | 200,000 |
| Total debt(7) | 3,246,386 | 3,851,939 |
| Total stockholders' equity(8) | 952,041 | 952,041 |
| Total capitalization | $4,198,427 | $4,803,980 |

(1) Amounts shown do not reflect the aggregate $42.8 million dividend declared by our board of directors on April 27, 2016.

(2) As of April 2, 2016, approximately $321.9 million of cash and cash equivalents were held by our foreign subsidiaries. Cash held by our foreign subsidiaries could be subject to U.S. federal income tax if we decided to repatriate it.

(3) See "Description of Other Indebtedness" for a description of our other indebtedness listed.

(4) As of April 2, 2016, after giving effect to the Refinancing Transactions, we would have had commitments available to be borrowed under our Revolving Credit Facility of approximately $888.6 million (which commitments may be borrowed to, among other things, finance the acquisitions of Champion Europe and/or Pacific Brands).

(5) As of April 2, 2016, $1.0 billion aggregate principal amount of the 6.375% Senior Notes due 2020 was outstanding, and as of June 2, 2016, the expected redemption date, the redemption premium and accrued and unpaid interest payable in connection with the redemption of such notes would be approximately $61.5 million.

(6) Based on an exchange rate of U.S.$1.138=€1.00 as of May 12, 2016.

(7) Does not include $115.2 million of short-term notes payable of certain of our subsidiaries that were outstanding as of April 2, 2016. For a description of our notes payable, see Note 9, "Debt" in the notes to our consolidated financial statements for the years ended January 2, 2016, January 3, 2015 and December 28, 2013 included elsewhere in this offering memorandum.

(8) Does not reflect the impact of up to approximately $12 million of non-cash charges to be incurred in the second quarter of 2016 as a result of the write-off of deferred financing fees in connection with our redemption of the 6.375% Senior Notes due 2020 as part of the Refinancing Transactions.

## Selected Historical Consolidated Financial Data

Set forth below is selected historical consolidated financial data of the company at the dates and for the periods indicated. The selected historical consolidated financial data as of January 2, 2016 and January 3, 2015 and for the fiscal years ended January 2, 2016, January 3, 2015 and December 28, 2013 have been derived from our audited consolidated financial statements and the related notes included elsewhere in this offering memorandum. We derived the selected historical consolidated financial data as of December 28, 2013, December 29, 2012 and December 31, 2011 and for the fiscal years ended December 29, 2012 and December 31, 2011 from our audited consolidated financial statements and the related notes, which are not included in this offering memorandum. The selected historical consolidated financial data as of April 2, 2016 and for the three months ended April 2, 2016 and April 4, 2015 have been derived from our unaudited condensed consolidated interim financial statements and the related notes included elsewhere in this offering memorandum. The unaudited financial data presented have been prepared on a basis consistent with our audited consolidated financial statements. In the opinion of management, such unaudited financial data reflect all adjustments necessary for a fair presentation of the results for those periods. These historical results are not necessarily indicative of the results to be expected in the future. Our results for the three months ended April 2, 2016 are not necessarily of the results that may be expected for the entire year.

This selected historical consolidated financial data should be read in conjunction with the sections titled "Use of Proceeds," "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as with our consolidated financial statements and related notes included in this offering memorandum.

| | Three Months Ended | | Fiscal Year Ended | | | | |
|---|---|---|---|---|---|---|---|
| **(in thousands)** | April 2, 2016 | April 4, 2015 | January 2, 2016 | January 3, 2015 | December 28, 2013 | December 29, 2012 | December 31, 2011 |
| | (unaudited) | | | | | | |
| **Statement of income data** | | | | | | | |
| Net sales | $1,219,140 | $1,208,921 | $5,731,549 | $5,324,746 | $4,627,802 | $4,525,721 | $4,434,291 |
| Cost of sales | 761,884 | 762,690 | 3,595,217 | 3,420,339 | 3,016,109 | 3,105,674 | 2,941,083 |
| Gross profit | 457,256 | 446,231 | 2,136,332 | 1,904,407 | 1,611,693 | 1,420,047 | 1,493,208 |
| Selling, general and administrative expenses | 334,851 | 356,300 | 1,541,214 | 1,340,453 | 1,096,507 | 979,932 | 1,046,081 |
| Operating profit | 122,405 | 89,931 | 595,118 | 563,954 | 515,186 | 440,115 | 447,127 |
| Other expenses | 649 | 382 | 3,210 | 2,599 | 17,501 | 40,315 | 6,377 |
| Interest expense, net | 31,566 | 26,887 | 118,035 | 96,387 | 101,884 | 136,855 | 156,198 |
| Income before income tax expense | 90,190 | 62,662 | 473,873 | 464,968 | 395,801 | 262,945 | 284,552 |
| Income tax expense | 9,921 | 10,026 | 45,018 | 60,449 | 65,307 | 30,502 | 41,983 |
| Net income | $ 80,269 | $ 52,636 | $ 428,855 | $ 404,519 | $ 330,494 | $ 232,443 | $ 242,569 |
| **Statement of cash flows data** | | | | | | | |
| Net cash from operating activities | $ (284,806) | $ (259,345) | $ 227,007 | $ 508,090 | $ 591,281 | $ 553,607 | $ 173,478 |
| Net cash from investing activities | (19,635) | (31,633) | (276,800) | (358,315) | (597,393) | (27,866) | (85,633) |
| Net cash from financing activities | 314,684 | 333,754 | 132,982 | (23,765) | 93,757 | (517,777) | (95,040) |
| Effects of changes in foreign currency exchange rates | 3,010 | (5,564) | (3,875) | (2,018) | (14,578) | (513) | (1,131) |
| Change in cash and cash equivalents | 13,253 | 37,212 | 79,314 | 123,992 | 73,067 | 7,451 | (8,326) |

| (in thousands) | As of April 2, 2016 | January 2, 2016 | January 3, 2015 | December 28, 2013 | December 29, 2012 | December 31, 2011 |
|---|---|---|---|---|---|---|
| | (unaudited) | | | | | |
| **Balance sheet data** | | | | | | |
| Cash and cash equivalents . . . | $ 332,422 | $ 319,169 | $ 239,855 | $ 115,863 | $ 42,796 | $ 35,345 |
| Total assets(7) . . . . . . . . . . . . | 5,822,061 | 5,597,590 | 5,208,193 | 4,090,021 | 3,631,879 | 4,034,976 |
| Total debt (including current portion) . . . . . . . . . . . . . . . | 3,246,386 | 2,506,981 | 1,839,314 | 1,648,790 | 1,491,336 | 1,974,710 |
| Total stockholders' equity . . . | 952,041 | 1,275,891 | 1,386,772 | 1,230,623 | 886,866 | 681,061 |

(1) Total assets as of April 2, 2016 and January 2, 2016 reflects the impact of recent accounting rules effective in the first quarter of 2016 that require debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability.

## 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 contains forward-looking statements that involve risks and uncertainties. Please see "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" in this offering memorandum 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 offering memorandum. 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 offering memorandum and included elsewhere in this offering memorandum.*

### 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.

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 Hanes Europe Innerwear, a leading marketer of intimate apparel, hosiery and underwear in Europe. Most recently, in April 2015, we acquired Knights Apparel, a leading seller of licensed collegiate logo apparel primarily in the mass retail channel. We also recently announced the acquisitions of Champion Europe and Pacific Brands. We believe these acquisitions will create growth and cost savings opportunities and increased scale to serve retailers.

#### *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:

- 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.

As a result of a shift in management responsibilities, we decided during the first quarter of 2016 to change the reporting of certain segment-level financial information previously included in our public filings made with the SEC, including (1) by moving our wholesale e-commerce business from our Direct to Consumer segment into our Innerwear and Activewear segments and (2) changing how we allocate certain selling, general and administrative expenses between segments. Only the financial results relating to segment information for the fiscal quarter ended April 2, 2016 and the fiscal quarter ended April 4, 2015 contained in this offering memorandum and our consolidated financial statements included in this offering memorandum have been recast to reflect these changes to the reporting of our segment-level financial information. The financial results relating to segment information for the fiscal years ended January 2, 2016, January 3, 2015 and December 28, 2013 contained in this offering memorandum and our consolidated financial statements do not reflect these changes to the reporting of our segment-level financial information.

### *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.

Our top ten customers accounted for 56% of our net sales. Our largest customers in 2015 were Wal-Mart, Target and Kohl's Corporation ("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 we believe 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-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.

***Recent Acquisitions***

On April 7, 2016, we entered into a definitive purchase agreement to acquire Champion Europe, which owns the trademark for the *Champion* brand in Europe, the Middle East and Africa. We have agreed to acquire the privately held Champion Europe, based in Italy, in an all-cash transaction. The purchase price will be ten times actual calendar 2016 earnings before interest, taxes, depreciation and amortization, subject to adjustment for cash, debt and working capital. We believe the final purchase price will be between €190 million and €210 million. The acquisition, which is subject to certain closing conditions, is expected to close in mid-2016.

On April 27, 2016, we entered into a scheme implementation deed to acquire Pacific Brands in an all-cash transaction. We will acquire Pacific Brands through a recommended court approved scheme of arrangement at a purchase price of approximately $800 million, which equals AUD$1.15 per share of Pacific Brands stock, less any special dividends paid by Pacific Brands prior to the closing. The acquisition, which is subject to certain closing conditions, is expected to close in the third quarter of 2016.

Pacific Brands is the leading underwear and intimate apparel company in Australia, with total sales over AUD$800 million for the 12-month period ended December 31, 2015. Pacific Brands currently has three business units—Underwear, Sheridan and Tontine & Dunlop. The company has undergone significant restructuring over the past two years to streamline its portfolio to focus on the core Underwear and Sheridan businesses. We intend to divest the Tontine pillow business and Dunlop flooring business following the acquisition because we do not consider these units to be part of Pacific Brands' core business.

Of the core business, Underwear accounts for approximately three-fourths of Pacific Brands' sales and includes underwear, bras, socks, hosiery, babywear and outerwear. The Underwear group operates more than 150 company retail stores and retailer shop-in-shops. Pacific Brands' biggest Underwear brand is the fast-growing *Bonds,* an iconic century-old brand that holds the No. 1 market share in Australia for men's underwear, women's underwear, children's underwear, babywear and socks, as well as the No. 3 position in bras in Australia. In addition, the *Berlei* brand of premium bras sold in department stores is No. 2 in overall bra market share in Australia and No. 1 in sports bras in Australia.

We intend to finance the Champion Europe and Pacific Brands acquisitions using a combination of the net proceeds of this offering, cash on hand and future debt financings. For additional information on these acquisitions, see “Summary—Recent Developments.”

***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.

**Condensed Consolidated Results of Operations—First Quarter Ended April 2, 2016 Compared with First Quarter Ended April 4, 2015**

| | Quarter Ended | | | |
|---|---|---|---|---|
| | April 2, 2016 | April 4, 2015 | Higher (Lower) | Percent Change |
| | (dollars in thousands) | | | |
| Net sales | $1,219,140 | $1,208,921 | $ 10,219 | 0.8% |
| Cost of sales | 761,884 | 762,690 | (806) | (0.1) |
| Gross profit | 457,256 | 446,231 | 11,025 | 2.5 |
| Selling, general and administrative expenses | 334,851 | 356,300 | (21,449) | (6.0) |
| Operating profit | 122,405 | 89,931 | 32,474 | 36.1 |
| Other expenses | 649 | 382 | 267 | 69.9 |
| Interest expense, net | 31,566 | 26,887 | 4,679 | 17.4 |
| Income before income tax expense | 90,190 | 62,662 | 27,528 | 43.9 |
| Income tax expense | 9,921 | 10,026 | (105) | (1.0) |
| Net income | $ 80,269 | $ 52,636 | $ 27,633 | 52.5% |

***Net Sales***

Net sales increased 1% during the first quarter of 2016 primarily due to the following:

- acquisition of Knights Apparel in April 2015, which added an incremental $21 million of net sales in 2016;
- higher net sales in our Innerwear segment primarily driven by sales of basic apparel in the mass merchant channel; and
- continued growth in the Activewear segment within the licensed sports apparel business.

Offset by:

- lower sales in the mid-tier and department store channel;
- lower sales in our Direct to Consumer segment due to lower comparable store sales and the planned reduction of our catalog distribution; and
- unfavorable foreign currency exchange rates. Excluding the impact of foreign currency reductions, consolidated net sales and International segment net sales increased 2% and increased 3%, respectively.

***Gross Profit***

The increase in gross profit was attributable to a sales shift to higher margin products, reduced acquisition, integration and other action related costs, supply chain efficiencies and benefits from 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 in gross profit in the first quarters of 2016 and 2015 were charges of approximately $5 million and $14 million, respectively, related to acquisition, integration and other action related costs.

***Selling, General and Administrative Expenses***

As a percentage of net sales, our selling, general and administrative expenses were 27.5% for the first quarter of 2016 compared to 29.5% in the same period of 2015. Included in selling, general and administrative expenses were charges of $20 million and $29 million of acquisition, integration and other action related costs for the first quarters of 2016 and 2015, respectively. Exclusive of acquisition, integration and other action related costs and the purchase of Knights Apparel, selling, general and administrative expenses were lower due to synergy benefits from the integration of acquisitions, planned reduction of our catalog distribution and continued cost control.

***Other Highlights***

*Interest expense*—higher by $5 million in the first quarter of 2016 compared to the first quarter of 2015 primarily due to higher debt balances to fund share repurchases and working capital needs. Our weighted average interest rate on our outstanding debt was 3.59% during the first quarter of 2016, compared to 4.04% in the first quarter of 2015.

*Income tax expense*—our effective income tax rate was 11% and 16% for the first quarter of 2016 and 2015, respectively. The lower tax rate in 2016 compared to the same period in 2015 is primarily due to a lower proportion of earnings attributed to domestic subsidiaries, which are taxed at rates higher than foreign subsidiaries.

**Operating Results by Business Segment—First Quarter ended April 2, 2016 Compared with First Quarter Ended April 4, 2015**

| | Net Sales | | Operating Profit | |
|---|---|---|---|---|
| | Quarter Ended | | Quarter Ended | |
| | April 2, 2016 | April 4, 2015 | April 2, 2016 | April 4, 2015 |
| | (dollars in thousands) | | | |
| Innerwear | $ 560,726 | $ 553,604 | $117,972 | $116,063 |
| Activewear | 309,525 | 301,010 | 32,569 | 31,170 |
| Direct to Consumer | 69,802 | 71,157 | (3,022) | (4,530) |
| International | 279,087 | 283,150 | 24,719 | 21,495 |
| Corporate | — | — | (49,833) | (74,267) |
| Total | $1,219,140 | $1,208,921 | $122,405 | $ 89,931 |

***Innerwear***

| | Quarter Ended | | | |
|---|---|---|---|---|
| | April 2, 2016 | April 4, 2015 | Higher (Lower) | Percent Change |
| | (dollars in thousands) | | | |
| Net sales | $560,726 | $553,604 | $7,122 | 1.3% |
| Segment operating profit | 117,972 | 116,063 | 1,909 | 1.6% |

The higher net sales in our Innerwear segment primarily resulted from stronger net sales within the mass merchant channel, offset by softness in the mid-tier and department store channel.

Increased operating profit was driven largely by increased sales and continued cost control offset by costs associated with our inventory reduction related efforts.

***Activewear***

| | Quarter Ended | | | |
|---|---|---|---|---|
| | April 2, 2016 | April 4, 2015 | Higher (Lower) | Percent Change |
| | (dollars in thousands) | | | |
| Net sales | $309,525 | $301,010 | $8,515 | 2.8% |
| Segment operating profit | 32,569 | 31,170 | 1,399 | 4.5 |

Activewear net sales increased due to the following:

- the acquisition of Knights Apparel in April 2015, which added an incremental $21 million of net sales in 2016; and
- continued growth in our licensed sports apparel business.

Partially offset by:

- a bankruptcy of a large sporting goods retailer; and
- space shifts within our seasonal activewear business.

Operating profit within the Activewear segment increased primarily as a result of higher sales volume.

***Direct to Consumer***

| | Quarter Ended | | | |
|---|---|---|---|---|
| | April 2, 2016 | April 4, 2015 | Higher (Lower) | Percent Change |
| | (dollars in thousands) | | | |
| Net sales | $69,802 | $71,157 | $(1,355) | (1.9)% |
| Segment operating profit | (3,022) | (4,530) | 1,508 | 33.3 |

Direct to Consumer segment net sales were lower as a result of increased online sales, offset by reduced comparable store sales and reduced catalog sales.

Operating margins increased due to cost savings related to our catalog distribution, offset by lower sales.

***International***

| | Quarter Ended | | | |
|---|---|---|---|---|
| | April 2, 2016 | April 4, 2015 | Higher (Lower) | Percent Change |
| | (dollars in thousands) | | | |
| Net sales | $279,087 | $283,150 | $(4,063) | (1.4)% |
| Segment operating profit | 24,719 | 21,495 | 3,224 | 15.0 |

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

- $12 million unfavorable impact of foreign currency exchange rates; and
- the planned exit of small, low performing brands in Hanes Europe Innerwear.

Offset by:

- continued space gains in Asia within our Activewear product category.

Operating profit increased primarily due to higher sales volume in Asia and cost synergies in our Hanes Europe Innerwear business, 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 $25 million in the first quarter of 2016 as compared to $43 million for the first quarter of 2015. 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. Other costs relate to other items not included in the aforementioned categories such as charges incurred related to the Target exit from Canada in the first quarter of 2015 and its related bankruptcy and other international realignment and configuration activities. Maidenform acquisition and integration costs and foundational costs were completed in 2015.

| | Quarter Ended | |
|---|---|---|
| | April 2, 2016 | April 4, 2015 |
| | (dollars in thousands) | |
| Acquisition and integration costs: | | |
| Hanes Europe Innerwear | $19,034 | $23,005 |
| Knights Apparel | 3,910 | 1,102 |
| Maidenform | — | 4,267 |
| Champion Japan licensee transaction | 1,725 | — |
| Total acquisition and integration costs | 24,669 | 28,374 |
| Foundational costs | — | 6,727 |
| Other costs | — | 8,127 |
| | $24,669 | $43,228 |

### 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.

***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 in 2015 was primarily attributable to income tax benefits of approximately $56 million recognized in 2015 resulting from the completion of the IRS 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 Compared with Year Ended January 3, 2015**

| | Net Sales | | Operating Profit | |
|---|---|---|---|---|
| | Years Ended | | 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 | | | Percent |
|---|---|---|---|---|
| | January 2, 2016 | January 3, 2015 | Higher (Lower) | 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.

***Activewear***

| | Years Ended | | | Percent |
|---|---|---|---|---|
| | January 2, 2016 | January 3, 2015 | Higher (Lower) | 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; and
- 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.

### *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 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; and
- 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; and
- 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 in 2014 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 Compared with Year Ended December 28, 2013

| | Net Sales | | Operating Profit | |
|---|---|---|---|---|
| | Years Ended | | 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; and
- 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; and
- 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; and
- incremental sales of Maidenform products.

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 Credit Facility, Accounts Receivable Securitization Facility and international loan facilities.

At April 2, 2016, we had $182 million of borrowing availability under our Revolving Credit Facility (after taking into account outstanding letters of credit), $101 million of borrowing availability under our international loan facilities, $332 million in cash and cash equivalents and no borrowing availability under our Accounts Receivable Securitization Facility. After giving effect to the Refinancing Transactions, we would have had approximately $888.6 million of borrowing availability under our Revolving Credit Facility at April 2, 2016 (after taking into account outstanding letters of credit), which borrowings may be used to, among other things, finance the acquisitions of Champion Europe and/or Pacific Brands. 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 our liquidity:

- we have principal and interest obligations under out debt;
- we acquired Knights Apparel in April 2015 and have announced our intent to acquire Champion Europe mid-year 2016 and Pacific Brands in the third quarter of 2016, and we may pursue additional strategic business 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 share repurchases under our share repurchase program.

On May 6, 2016, we completed the sale of $1.8 billion aggregate principal amount of senior notes, consisting of $900 million aggregate principal amount of 4.625% Senior Notes due 2024 and $900 million aggregate principal amount of 4.875% Senior Notes due 2026. We used the net proceeds from the offering to redeem in full our outstanding $1.0 billion aggregate principal amount of 6.375% Senior Notes due 2020, which have been called for redemption on June 2, 2016 in accordance with their terms, and to repay $706.5 million of our outstanding borrowings under our Revolving Credit Facility. As a result of our payment of the redemption price associated with our 6.375% Senior Notes due 2020, we have discharged all of our obligations under the indenture governing our 6.375% Senior Notes due 2020.

### *Cash Requirements for Our Business*

We rely on our cash flows generated from operations and the borrowing capacity under our Revolving Credit 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 consolidated financial statements included in this offering memorandum for more information on the plan asset and pension expense components.

*Share Repurchase Program*

On April 27, 2016, 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. 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. The program does not obligate us to acquire any particular amount of common stock and may be suspended or discontinued at any time at our discretion.

*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, our 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 regular quarterly dividend of $0.11 per share, which was paid in March 2016. In April 2016, our board of directors declared a regular quarterly dividend of $0.11 per share, to be paid June 7, 2016, to stockholders of record at the close of business on May 17, 2016.

*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. As of April 2, 2016, after giving effect to this offering and the application of the estimated net proceeds from the offering as set forth in "Use of Proceeds," and the Refinancing Transactions, the payment schedule on debt obligations, excluding interest, would have been $3.85 billion at April 2, 2016, $247.7 million in fiscal 2016, $154.9 million in fiscal 2017-2018, $619.5 million in fiscal 2019-2020 and $2.83 billion in fiscal 2021 and thereafter.

(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 was derived from our financial statements.

| | Quarter Ended | | Years Ended | |
|---|---|---|---|---|
| | April 2, 2016 | April 4, 2015 | January 2, 2016 | January 3, 2015 |
| | (dollars in thousands) | | | |
| Operating activities | $(284,806) | $(259,345) | $ 227,007 | $ 508,090 |
| Investing activities | (19,635) | (31,633) | (276,800) | (358,315) |
| Financing activities | 314,684 | 333,754 | 132,982 | (23,765) |
| Effect of changes in foreign currency exchange rates on cash | 3,010 | (5,564) | (3,875) | (2,018) |
| Change in cash and cash equivalents | 13,253 | 37,212 | 79,314 | 123,992 |
| Cash and cash equivalents at beginning of year | 319,169 | 239,855 | 239,855 | 115,863 |
| Cash and cash equivalents at end of year | $ 332,422 | $ 277,067 | $ 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. We typically use cash during the first half of the year and generate most of our cash flow in the second half of the year. As compared to prior year, the lower net cash from operating activities is due to changes in working capital, specifically related to accounts payable and accrued liabilities, partially offset by a smaller voluntary pension contribution in the first quarter of 2016 of $40 million compared to $100 million in the same period of 2015. The increase in inventory in the first quarter is in line with our normal seasonal build as we typically build inventory unit levels to support the back-to-school shopping season. We have initiated inventory reduction efforts in the first quarter of 2016 that will continue through the second quarter and expected to generate cash flow in the second half of 2016. 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 build in inventory levels in 2015; a $100 million pension contribution in 2015 and 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 in investing activities during the quarter ended April 2, 2016 was the result of lower capital spending and increased cash proceeds from sale of assets in 2016 compared to the same period in 2015. Offsetting, in part, the aforementioned favorable investing cash flow activity was the investment to re-acquire the remainder of the rights to Champion in Japan from Goldwin, Inc. During 2015, 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 lower net cash from financing activities during the quarter ended April 2, 2016 was primarily the result of our share repurchases in the quarter, offset by higher net borrowings on our loan facilities, specifically due to new borrowings under the Senior Secured Credit Facility. During 2015, 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***

In March 2016, we amended our Accounts Receivable Securitization Facility. This amendment primarily extended the termination date to March 2017 and changed the borrowing capacity from a fixed to a varying limit throughout the year, in order to minimize fees for our unused portion of the facility.

As of April 2, 2016, we were in compliance with all financial covenants under our credit facilities. 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 under the heading "Risk Factors" in this offering memorandum could cause noncompliance.

We have significant liquidity from our available cash balances and credit facilities. We maintain a Senior Secured Credit Facility consisting of a Revolving Credit Facility of $1,000,000, a $725,000 Term Loan A Facility, a $425,000 Term Loan B Facility and a €363,000 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 April 2, 2016, $182,005 of our Revolving Credit Facility was available for borrowing. Refer to Note 10, "Debt" in the notes to our audited consolidated financial statements for the years ended January 2, 2016, January 3, 2015 and December 28, 2013 and Note 6, "Debt" in the notes to our unaudited condensed consolidated financial statements for the quarters ended April 2, 2016 and April 4, 2015, each of which is included elsewhere in this offering memorandum, for a complete overview of our credit facilities.

*Notes Payable*

Notes payable were $115 million at April 2, 2016 and $118 million at January 2, 2016. At April 2, 2016, we had $101 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.

## Critical Accounting Policies and Estimates

We have chosen accounting policies that we believe are appropriate to accurately and fairly report our operating results and financial condition in conformity with accounting principles generally accepted in the United States. We apply these accounting policies in a consistent manner. Our significant accounting policies are discussed in Note 2, "Summary of Significant Accounting Policies" in the notes to our audited consolidated financial statements for the years ended January 2, 2016, January 3, 2015 and December 28, 2013, which are included elsewhere in this offering memorandum.

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 2, "Summary of Significant Accounting Policies—(d) Sales Recognition and Incentives" in the notes to our audited consolidated financial statements for the years ended January 2, 2016, January 3, 2015 and December 28, 2013, which are included elsewhere in this offering memorandum, 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 included elsewhere in this offering memorandum.

### *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 included elsewhere in this offering memorandum. 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.

### *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 included elsewhere in this offering memorandum 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 16, "Defined Benefit Pension Plans" in the notes to our audited consolidated financial statements for the years ended January 2, 2016, January 3, 2015 and December 28, 2013, which are included elsewhere in this offering memorandum. 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 included elsewhere in this offering memorandum.

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 began 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 should 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.
- 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:

| | Increase (Decrease) in | |
|---|---|---|
| **(in millions)** | **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 "—Critical Accounting Policies and Estimates—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 "—Critical Accounting Policies and Estimates—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.

***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 2, "Summary of Significant Accounting Policies" in the notes to our audited consolidated financial statements for the years ended January 2, 2016, January 3, 2015 and December 28, 2013 and Note 2, "Recent Accounting Pronouncements" in the notes to our unaudited condensed consolidated financial statements for the quarters ended April 2, 2016 and April 4, 2015, each of which is included elsewhere in this offering memorandum.

### 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 Credit Facility, Accounts Receivable Securitization Facility, Term Loan A Facility, Term Loan B Facility, 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.

## Business

### Our Company

We are 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, we primarily operate our own manufacturing facilities. More than 80% 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% of U.S. households have our products in them. We revolutionized Tagless T-shirts and underwear, we invented the sports bra and 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 Hanes Europe Innerwear, a leading marketer of intimate apparel, hosiery and underwear in Europe. In April 2015, we acquired Knights Holdco, Inc., a leading seller of licensed collegiate logo apparel primarily in the mass retail channel. As described under "Summary—Recent Developments," in April 2016 we entered into agreements to acquire Champion Europe, which owns the trademark for the *Champion* brand in Europe, the Middle East and Africa, as well as Pacific Brands, the leading underwear and intimate apparel company in Australia. 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. We are the only apparel producer to ever be honored by the Great Place to Work Institute for its workplace practices in Central America and the Caribbean, and in 2015 were ranked No. 160 on the Forbes magazine list of America's Best Employers. For seven consecutive years, Hanesbrands has won the U.S. Environmental Protection Agency Energy Star sustained excellence/partner of the year award—the only apparel company to earn sustained excellence honors. In 2015, we ranked No. 246 on Newsweek magazine's green list of 500 largest U.S. companies.

### Our Brands and Operations

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.

*Hanes* is the largest and most widely recognized brand in our portfolio. *Hanes* is the number one brand of total apparel in the United States and is found in eight out of ten 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.

*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 stores. As described under "Summary—Recent developments," we recently entered into an agreement to acquire Champion Europe, which owns the trademark for the *Champion* brand in Europe, the Middle East and Africa.

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 the United States' 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 the United States and has been trusted for modern, sensual style in bras, panties and shapewear since 1922. As described under "Summary—Recent developments," we recently entered into an agreement to acquire Pacific Brands, which owns the *Bonds* brand, an iconic century-old brand that holds the No. 1 market share in Australia for men's underwear, women's underwear, children's underwear, babywear and socks, as well as the No. 3 position in Australia in bras.

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: Innerwear, Activewear, Direct to Consumer and International. Each segment is organized principally by product category, geographic location or distribution channel. Each segment also has its own management that is responsible for the operations of the segment's businesses, but all 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* |

| Segment | Primary products | Primary brands |
|---|---|---|
| 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.

***Innerwear***

Our 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 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.

***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.

***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.

***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. 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, Target and 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 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 5.8 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 20, "Geographic Area Information" in the notes to our audited consolidated financial statements for the years ended January 2, 2016, January 3, 2015 and December 28, 2013, which are included elsewhere in this offering memorandum.

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 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 ten 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 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 (for men's underwear) and Donna Karan and DKNY (for intimate apparel).

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 ten 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.

### 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.

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.

**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.

## 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 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:

| Properties by Segment(1) | Owned Square Feet | Leased Square Feet | Total |
|---|---|---|---|
| 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.

## Management

### The Issuer

The Issuer, Hanesbrands Finance Luxembourg S.C.A., a corporate partnership limited by shares (société en commandite par actions) having its registered office at 33, Rue du Puits Romain, L—8070 Bertrange , Grand-Duchy of Luxembourg, currently in the process of being registered with the Luxembourg Trade and Companies' Register was incorporated under the laws of the Grand Duchy of Luxembourg on May 13, 2016. The management of the Issuer is carried out by the manager, Hanesbrands GP Luxembourg, a private limited liability company (société a responsabilité limitée) incorporated under, and governed by, the laws of Luxembourg, having its registered office at 33, Rue du Puits Romain, L—8070 Bertrange, Grand-Duchy of Luxembourg, currently in the process of being registered with the Luxembourg Trade and Companies' Register, which is designated as manager in the articles of association of the Issuer, and acts as the general partner and manager (associé-gérant-commandité) of the Issuer.

The management board of Hanesbrands GP Luxembourg has six members: Joia M. Johnson, Donald F. Cook, M. Scott Lewis, Robert H. Hessing, Faruk Durusu and Philippe Van Den Avenne.

### The Parent Guarantor

Set forth below is certain information regarding the executive officers and board of directors of Hanesbrands Inc.

| 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 | 56 | 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 | 51 | 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 |
| Bobby J. Griffin | 67 | Director |
| James C. Johnson | 63 | Director |
| Jessica T. Mathews | 69 | Director |
| Franck J. Moison | 62 | Director |
| Robert F. Moran | 65 | Director |
| Ronald L. Nelson | 63 | Lead Director |
| Andrew J. Schindler | 71 | Director |
| David V. Singer | 60 | Director |
| Ann E. Ziegler | 58 | Director |

*Richard A. Noll* has served as Chairman of the board of directors since January 2009, as Chief Executive Officer since April 2006 and as a director since 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 Chief Operating Officer since August 2013. From October 2011 until August 2013, Mr. Evans served as Co-Chief Operating Officer. Prior to his appointment as Co-Chief Operating Officer, Mr. Evans served as Co-Operating Officer, President International, from November 2010 until October 2011. From February 2009 until November 2010, he was President, International Business and Global Supply Chain.

From February 2008 until February 2009, he served as 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 Chief Financial Officer since October 2011. Prior to his appointment as Chief Financial Officer, Mr. Moss served as 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 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 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 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 Executive Vice President and General Manager, Domestic Innerwear from January 2008 until December 2010 and as 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 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 Activewear Group General Manager during April 2011, as Senior Vice President and General Manager, Casualwear from January 2008 to March 2011, as Vice President and General Manager, Casualwear from September 2007 to December 2007 and as 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 President, Chief Global Supply Chain and Information Technology Officer since 2014. From 2010 to 2014, he served as 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 Senior Vice President, Supply Chain Support from October 2009 to November 2010, as Vice President, Supply Chain Support from March 2009 to September 2009 and as 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 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.

*Bobby J. Griffin* has served as a member of the board of directors since September 2006. From March 2005 to March 2007, Mr. Griffin served as President, International Operations of Ryder System, Inc. Beginning in 1986, Mr. Griffin served in various other management positions with Ryder System, Inc., including as Executive Vice President, International Operations from 2003 to March 2005 and Executive Vice President, Global Supply Chain Operations from 2001 to 2003. Mr. Griffin also serves on the boards of directors of United Rentals, Inc and WESCO International, Inc. Mr. Griffin previously served on the board of directors of Horizon Lines, Inc.

*James C. Johnson* has served as a member of the board of directors since September 2006. Mr. Johnson served as General Counsel of Loop Capital Markets LLC, a provider of a broad range of integrated capital solutions for corporate, governmental and institutional entities, from 2010 until 2013. Mr. Johnson previously served as Vice President and Assistant General Counsel of the Boeing Commercial Airplanes division of The Boeing Company, one of the world's major aerospace firms, from 2007 until 2009. From 1998 until 2007, Mr. Johnson served as Vice President, Corporate Secretary and Assistant General Counsel of The Boeing Company. He currently serves as a trustee of the University of Pennsylvania and a Member of the Board of Overseers of the College of Arts and Sciences. Mr. Johnson currently serves on the boards of directors of Ameren Corporation, Energizer Holdings, Inc. and Edgewell Personal Care Company.

*Jessica T. Mathews* has served as a member of the board of directors since October 2006. Ms. Mathews has served as a Distinguished Fellow at the Carnegie Endowment for International Peace, a foreign policy think tank dedicated to advancing cooperation between nations and promoting active international engagement by the United States, since 2015. From 1997 to 2015, Ms. Mathews served as President of the Carnegie Endowment for International Peace. She also served as Deputy to the Undersecretary of State for Global Affairs in the Department of State in 1993, and in other senior governmental and non-governmental positions earlier in her career. Ms. Mathews was Director of the Washington Office of the Council on Foreign Relations from 1994 to 1997. She serves as a trustee of Harvard University and several other nonprofit organizations. Ms. Mathews also currently serves on the board of directors of SomaLogic, Inc.

*Franck J. Moison* has served as a member of the board of directors since January 2015. Mr. Moison has served as Vice Chairman of the Colgate-Palmolive Company since April 1, 2016. Beginning in 1978, Mr. Moison served in various management positions with the Colgate-Palmolive Company, including as Chief Operating Officer of Emerging Markets & Business Development from 2010 to 2016, President, Global Marketing, Supply Chain & R&D from 2007 to 2010, and President, Western Europe, Central Europe and South Pacific from 2005 to 2007. He serves as a member of the board of directors of the French American Chamber of Commerce, as Chairman of the International Advisory Board of the EDHEC Business School (Paris, London, Singapore) and as a member of the International Board of the McDonough School of Business at Georgetown University. Mr. Moison previously served on the board of directors of H.J. Heinz Company.

*Robert F. Moran* has served as a member of the board of directors since July 2013. Mr. Moran served as Chairman of the Board of PetSmart, Inc. ("PetSmart"), a leading specialty provider of pet care products and services, from 2012 to 2013 and as Chief Executive Officer of PetSmart from 2009 to 2013. He joined PetSmart as President of North American Stores in 1999, and in 2001 he was appointed President and Chief Operating Officer. From 1998 to 1999, Mr. Moran was President of Toys "R" Us (Canada) Ltd., a subsidiary of specialty toy retailer Toys "R" Us, Inc. Prior to 1991 and from 1993 to 1998, for a total of 20 years, Mr. Moran was employed by retailer Sears, Roebuck and Company in a variety of financial and merchandising positions, including as President and Chief Executive Officer of Sears de Mexico. He was also Chief Financial Officer and Executive Vice President of Galerias Preciados of Madrid, Spain, a leading department store, from 1991 to 1993.

Mr. Moran also serves as a director of the USA Track and Field Foundation. Mr. Moran currently serves on the board of directors of GNC Holdings, Inc. Mr. Moran previously served on the board of directors of PetSmart, Inc. and Collective Brands, Inc.

*Ronald L. Nelson* has served as a member of the board of directors since July 2008. Mr. Nelson has served as Executive Chairman of Avis Budget Group, Inc. ("Avis Budget Group"), which operates two major brands in the global vehicle rental industry through Avis and Budget, since January 1, 2016. From 2006 to 2015, Mr. Nelson served as Chairman and Chief Executive Officer of Avis Budget Group. Mr. Nelson was a director of Cendant Corporation (the predecessor of Avis Budget Group) from 2003 to 2006, Chief Financial Officer from 2003 until 2006 and President from 2004 to 2006. Mr. Nelson was also Chairman and Chief Executive Officer of Cendant Corporation's Vehicle Rental business from January 2006 to August 2006. From 2005 to 2006, Mr. Nelson was interim Chief Executive Officer of Cendant Corporation's former Travel Distribution Division. In addition to Avis Budget Group, Inc., Mr. Nelson is a director of Convergys Corporation.

*Andrew J. Schindler* has served as a member of the board of directors since September 2006. From 1974 to 2004, Mr. Schindler served in various management positions with R.J. Reynolds Tobacco Holdings, Inc., a holding company whose operating subsidiaries included R. J. Reynolds Tobacco Company, the second largest cigarette manufacturer in the United States, including as Chairman and Chief Executive Officer from 1999 to 2004. He served as Chairman of Reynolds American Inc., a company formed in 2004 by the merger of R.J. Reynolds Tobacco Holdings, Inc. and the U.S. operations of British American Tobacco PLC, from 2004 to 2005. Mr. Schindler currently serves on the board of directors of Krispy Kreme Doughnuts, Inc. and ConAgra Foods, Inc.

*David V. Singer* has served as a member of the board of directors since October 2014. From 2010 to 2013, Mr. Singer served as Chief Executive Officer of Snyder's-Lance, Inc., a manufacturer and marketer of snack foods throughout the United States and internationally. He also served as the President and Chief Executive Officer of Lance, Inc. from 2005 until its merger with Snyder's of Hanover, Inc. in 2010. From 1987 to 2005, Mr. Singer served as Chief Financial Officer of Coca-Cola Bottling Co. Consolidated, a beverage manufacturer and distributor. Prior to 1987, Mr. Singer was Vice President of Mellon Bank, N.A. Mr. Singer currently serves on the boards of directors of Brunswick Corporation, Flowers Foods, Inc., and SPX FLOW, Inc. Mr. Singer previously served on the board of directors of Snyder's-Lance, Inc.

*Ann E. Ziegler* has served as a member of the board of directors since December 2008. Ms. Ziegler has served as Senior Vice President and Chief Financial Officer and a member of the executive committee of CDW Corporation, a leading provider of technology solutions for business, government, healthcare and education, since 2008. From 2005 until 2008, Ms. Ziegler served as Senior Vice President, Administration and Chief Financial Officer of Sara Lee Food and Beverage. From 2003 until 2005, she served as Chief Financial Officer of Sara Lee Bakery Group. From 2000 until 2003, she served as Senior Vice President, Corporate Development of Sara Lee. Ms. Ziegler currently serves on the board of directors of Groupon, Inc. Ms. Ziegler previously served on the board of directors of Kemper Corporation (formerly known as Unitrin, Inc.

### *Board Practices*

The Hanesbrands Inc. board of directors is elected by the company's stockholders to oversee their interests in the long-term health and the overall success of the company's business. The board of directors serves as the ultimate decision-making body of the company, except for those matters reserved to or shared with the company's stockholders. The Hanesbrands Inc. board of directors oversees the business of the company, as conducted by the members of the company's senior management. In carrying out its responsibilities, the board of directors reviews and assesses Hanesbrands' long-term strategy and its strategic, competitive and financial performance.

### *Board Committees*

The Hanesbrands Inc. board of directors has three standing committees: the Audit Committee, the Compensation Committee and the Governance and Nominating Committee.

*Audit Committee*

The Audit Committee is responsible for assisting the Hanesbrands Inc. board of directors in fulfilling its oversight of:

- the integrity of HBI's financial statements, financial reporting process and systems of internal accounting and financial controls;
- HBI's compliance with legal and regulatory requirements;
- the independent auditors' qualifications and independence; and
- the performance of HBI's internal audit function and independent auditor.

The Audit Committee is also responsible for discussing policies with respect to risk assessment and risk management, including significant financial risk exposures and the steps our management has taken to monitor, control and report such exposures.

*Compensation Committee*

The Compensation Committee is responsible for assisting the board of directors in discharging its responsibilities relating to the compensation of the company's executive officers and the company's Chief Executive Officer performance evaluation process and for preparing a report on executive compensation that is to be included in the proxy statement relating to the Hanesbrands Inc. annual meeting of stockholders.

The Compensation Committee is also responsible for:

- reviewing and approving the total compensation philosophy covering the company's executive officers and other key executives and periodically reviewing an analysis of the competitiveness of the company's total compensation practices in relation to those of the company's peer group;
- with respect to our executive officers other than Mr. Noll, reviewing and approving the base salaries, salary ranges and the salary increase program pursuant to the company's executive salary administration program, the applicable standards of performance to be used in incentive compensation plans and the grant of equity incentives;
- recommending changes in non-employee director compensation to the board of directors;
- reviewing proposed stock incentive plans, other long-term incentive plans, stock purchase plans and other similar plans, and all proposed changes to such plans;
- reviewing the results of any stockholder advisory votes regarding the company's executive compensation and recommending to the board of directors how to respond to such votes; and
- recommending to the board of directors whether to have an annual, biannual or triennial advisory stockholder vote regarding executive compensation.

The Chief Executive Officer's compensation is approved by the independent members of the board of directors, upon the Compensation Committee's recommendation.

*Governance and Nominating Committee*

The Governance and Nominating Committee is responsible for:

- identifying individuals qualified to serve on the Hanesbrands Inc. board of directors, consistent with criteria approved by the board of directors;

- recommending that the board of directors select a slate of director nominees for election by our stockholders at the Hanesbrands Inc. annual meeting of stockholders, in accordance with the company’s charter and bylaws and with Maryland law;
- recommending candidates to the board of directors to fill vacancies on the board of directors or on any committee of the board of directors in accordance with the company’s charter and bylaws and with Maryland law;
- evaluating and recommending to the board of directors a set of corporate governance policies and guidelines to be applicable to the company;
- re-evaluating periodically such policies and guidelines for the purpose of suggesting amendments to them as appropriate; and
- overseeing annual board of directors and committee self-evaluations in accordance with The New York Stock Exchange listing standards.

## Description of Other Indebtedness

*The following is a summary of certain provisions of the instruments evidencing our material indebtedness. This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the agreements, including the definitions of certain terms therein that are not otherwise defined in this offering memorandum.*

### Senior Secured Credit Facility

On April 29, 2015, we entered into an amended and restated senior secured credit facility, which consists of (1) a $1.0 billion revolving loan facility (the “Revolving Credit Facility”), (2) a $725 million term loan a facility (the “Term Loan A Facility”), (3) a $425 million term loan b facility (the “Term Loan B Facility”) and (4) 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 Credit Facility, the “Senior Secured Credit Facility”). The proceeds of the Term Loan A Facility and the Term Loan B Facility were used to refinance then-existing revolving borrowings under our 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. The proceeds of the Euro Term Loan Facility are denominated in Euros and were utilized in part to purchase Hanes Europe Innerwear. The proceeds of the Revolving Credit Facility are used for general corporate purposes and working capital needs. The Term Loan A Facility matures in April 2020, the Term Loan B Facility matures in April 2022, the Euro Term Loan Facility matures in August 2021 and the Revolving Credit Facility matures in April 2020. As of April 2, 2016, the principal balance outstanding of the Term Loan A Facility was $696.3 million, the Term Loan B Facility was $420.8 million and the Euro Term Loan Facility was $117.3 million. As of April 2, 2016, we had $802.5 million outstanding under our Revolving Credit Facility (and $182.0 million available for future borrowings), and, after giving effect to the Refinancing Transactions, we would have had approximately $96.0 million outstanding under our Revolving Credit Facility (and approximately $888.6 million available for future borrowings, which may be used to, among other things, finance the acquisitions of Champion Europe and/or Pacific Brands).

#### *Interest*

At our option, borrowings under the Revolving Credit Facility, the Term Loan A Facility and the Term Loan B Facility bear interest based on the LIBOR rate or the “base rate” plus, in each case, an applicable margin. The applicable margin for the Revolving Credit Facility and the Term Loan A Facility 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 our 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 our leverage ratio is less than 2.50 to 1. The applicable margin under the Term Loan B Facility is 2.50% in the case of LIBOR-based loans and 1.50% in the case of Base Rate loans. The Euro Term Loan Facility accrues interest utilizing the EURIBOR rate (as defined in the Senior Secured Credit Facility) plus 2.75%.

#### *Payment Terms*

All borrowings under the Revolving Credit Facility must be repaid in full upon maturity. Outstanding borrowings under the Term Loan A Facility 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 Facility are repayable in 0.25% quarterly installments, with the remainder of the outstanding principal to be repaid at maturity. Outstanding borrowings under the Euro Term Loan Facility are repayable in quarterly payments of 0.25% of the original borrowings, with the remainder of the outstanding principle due at maturity.

### *Letters of Credit; Swingline Loans*

A portion of the Revolving Credit 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 Credit Facility. At our option, we may add one or more term loan facilities or increase the commitments under the Revolving Credit Facility so long as certain conditions are satisfied, including, among others, that no default or event of default is in existence, that the we are in pro forma compliance with the financial covenants described below and that our 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 April 2, 2016, we had $15.5 million of standby and trade letters of credit issued and outstanding under the Revolving Credit Facility.

### *Guarantees; Security*

The Senior Secured Credit Facility is guaranteed by substantially all of our existing and future direct and indirect U.S. subsidiaries, with certain customary or agreed-upon exceptions for foreign subsidiaries and certain other subsidiaries. We and each of the guarantors under the Senior Secured Credit Facility (other than guarantors that only guarantee the Euro Term Loan 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 our 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 us and each guarantor, except for certain enumerated interests, and all proceeds and products of such property and assets.

Additionally, the Euro Term Loan Facility is also guaranteed by substantially all of MFB International Holdings' existing and future direct and indirect subsidiaries and its direct parent company, 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, its direct subsidiaries and its direct parent company, 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. In connection with this offering, the Issuer and its general partner, Hanesbrands GP Luxembourg, will become guarantors under our Euro Term Loan Facility and their shares and assets, including the Issuer's receivable under the Proceeds Loan, will be pledged to secure our obligations under the Euro Term Loan Facility.

### *Prepayments*

The Term Loan A Facility, the Term Loan B Facility and the Euro Term Loan Facility require us and our subsidiary, MFB International Holdings, as applicable, to prepay any outstanding term loans in connection with (1) the incurrence of non-permitted indebtedness and (2) non-ordinary course asset sales or other dispositions (including as a result of casualty or condemnation) that exceed certain thresholds in any period of 12 consecutive months, with customary reinvestment provisions. The Term Loan B Facility and the Euro Term Loan Facility also require us and MFB International Holdings, as applicable, to prepay any outstanding term loans under the Term Loan B Facility and the Euro Term Loan Facility in connection with excess cash flow, and the applicable percentage of such excess cash flow that is subject to such prepayment will be based upon our leverage ratio during the relevant fiscal period. All such prepayments will be made on a pro rata basis under each applicable tranche of term loans that are subject to such prepayments.

***Covenants***

The Senior Secured Credit Facility requires us to comply with customary affirmative, negative and financial covenants. The Senior Secured Credit Facility requires that we 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 our 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 our 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 million, 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.

***Fees***

In addition, a commitment fee accrues on the unused portion of revolving loan commitments under the Senior Secured Credit Facility at a per annum rate fluctuating 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%.

**Accounts Receivable Securitization Facility**

We are also party to an accounts receivable securitization facility, which provides for up to $275 million in funding accounted for as a secured borrowing, limited to the availability of eligible receivables and is secured by certain domestic trade receivables (the “Accounts Receivable Securitization Facility”). Under the terms of the Accounts Receivable Securitization Facility, we and certain of our 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 us. 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. The assets and liabilities of Receivables LLC are fully reflected on our 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 our creditors. The borrowings under the Accounts Receivable Securitization Facility remain outstanding throughout the term of the agreement subject to us maintaining sufficient eligible receivables, by continuing to sell trade receivables to Receivables LLC, unless an event of default occurs. The Accounts Receivable Securitization Facility is scheduled to terminate on March 10, 2017 unless renewed.

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 our 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 our consolidated statement of income included elsewhere in this offering memorandum. 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 our 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 our 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 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 us 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.

The total amount of receivables used as collateral for the credit facility was $369.7 million at April 2, 2016.

**Other International Debt**

In connection with the Hanes Europe Innerwear acquisition, we assumed debt (the “Other International Debt”), totaling approximately $132.6 million as of the acquisition date. Concurrent with the closing, approximately $107.7 million was repaid utilizing proceeds from the Euro Term Loan Facility. The long-term debt outstanding as of April 2, 2016 consists of mortgage loans and term loans collateralized by fixed assets. These loans have maturity dates ranging from April 2016 to May 2018, and bear interest primarily based on EURIBOR rates ranging from 1.5% to 6.25% as of April 2, 2016.

**4.625% Senior Notes due 2024**

On May 6, 2016, we completed the sale of $900 million aggregate principal amount of 4.625% Senior Notes due 2024 (the “2024 Notes”). The 4.625% Senior Notes will mature on May 15, 2024. Interest on the 2024 Notes will accrue from May 6, 2016 and the first interest payment date will be November 15, 2016.

Prior to February 15, 2024 (three months prior to the maturity date for the 2024 Notes), we may redeem all or a portion of the 2024 Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, plus a “make-whole” premium. In addition, on or after February 15, 2024 (three months prior to the maturity date for the 2024 Notes), we may redeem all or a portion of the 2024 Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

The 2024 Notes are guaranteed on a senior unsecured basis by each of our domestic subsidiaries that guarantees our Senior Secured Credit Facility and, in the future, by domestic subsidiaries that guarantee certain material debt facilities of Hanesbrands Inc. or guarantors of the 2024 Notes or certain material debt securities issued by Hanesbrands Inc. or guarantors of the 2024 Notes.

We used a portion of the net proceeds from the offering of the 2024 Notes and the 2026 Notes (as defined below) to pay the redemption price associated with our outstanding $1.0 billion aggregate principal amount of 6.375% Senior Notes due 2020 that have been called for redemption on June 2, 2016 in accordance with their terms. See “Summary—Recent Developments—Refinancing Transactions.”

**4.875% Senior Notes due 2026**

On May 6, 2016, we completed the sale of $900 million aggregate principal amount of 4.875% Senior Notes due 2026 (the “2026 Notes”). The 2026 Notes will mature on May 15, 2026. Interest on the 2026 Notes will accrue from May 6, 2016 and the first interest payment date will be November 15, 2016.

Prior to February 15, 2026 (three months prior to the maturity date for the 2026 Notes), we may redeem all or a portion of the 2026 Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, plus a "make-whole" premium. In addition, on or after February 15, 2026 (three months prior to the maturity date for the 2026 Notes), we may redeem all or a portion of the 2026 Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

The 2026 Notes are guaranteed on a senior unsecured basis by each of our domestic subsidiaries that guarantees our Senior Secured Credit Facility and, in the future, by domestic subsidiaries that guarantee certain material debt facilities of Hanesbrands Inc. or guarantors of the 2026 Notes or certain material debt securities issued by Hanesbrands Inc. or guarantors of the 2026 Notes.

We used a portion of the net proceeds from the offering of the 2024 Notes and the 2026 Notes to pay the redemption price associated with our outstanding $1.0 billion aggregate principal amount of 6.375% Senior Notes due 2020 that have been called for redemption on June 2, 2016 in accordance with their terms. See "Summary—Recent Developments—Refinancing Transactions."

## Description of Notes

The definitions of certain capitalized terms used in the following summary are set forth below under "—Certain Definitions." When used in this section, (i) the term "Issuer" refers only to Hanesbrands Finance Luxembourg S.C.A. (a *société en commandite par actions* incorporated under the laws of Luxembourg, whose registered office is at 33, Rue du Puits Romain, L - 8070 Bertrange and is currently in the process of being registered with the Luxembourg Trade and Companies' Register, and not to any of its subsidiaries and (ii) the terms "Parent," "HBI," we," "us" and "our" refer only to Hanesbrands Inc. and not to any of its subsidiaries.

The Issuer will issue % senior notes due 2024 (the "*Notes*") under an indenture (the "*Indenture*") among itself, the Parent, as a Guarantor, the other Guarantors party thereto and U.S. Bank Trustees Limited, as trustee (the "*Trustee*"), to be dated as of the Issue Date, in a private transaction that is not subject to the registration requirements of the Securities Act. The Indenture is not required to be, nor will it be, qualified under or be subject to the U.S. Trust Indenture Act of 1939, as amended. The obligations of the Issuer pursuant to the Notes will be guaranteed, jointly and severally, by the Parent and certain Subsidiaries of the Parent.

The following description is only a summary of the material provisions of the Notes and the Indenture. We urge you to read the Indenture because it, not this description, defines your rights as holders of the Notes. You may request copies of the Indenture at our address set forth under the heading "Where You Can Find More Information."

### Brief Description of the Notes and the Guarantees

***The Notes***

The Notes will:

- be senior unsecured obligations of the Issuer;
- rank equally in right of payment with all existing and future senior indebtedness of the Issuer;
- rank senior in right of payment to all future subordinated indebtedness of the Issuer;
- be structurally subordinated to all liabilities of any non-guarantor Subsidiary;
- be effectively subordinated to all existing and future secured indebtedness of the Issuer to the extent of the value of the collateral securing such indebtedness; and
- be guaranteed by each Guarantor on a senior unsecured basis, subject to contractual limitations that reflect limitations under applicable law. See "Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees."

***The Guarantees***

The Notes will be, subject to contractual limitations that reflect limitations under applicable law, guaranteed, jointly and severally, on a senior basis by each Guarantor and each existing and future Subsidiary of the Parent that is required to become a Guarantor in accordance with the covenant described under "—Certain Covenants—Future Guarantors." As of the Issue Date, the Guarantors will include the Parent and the following of its Subsidiaries: Maidenform (Asia) Limited, Choloma, Inc., Hanesbrands Dos Rios Textiles, Inc., Hanesbrands Direct, LLC, BA International, L.L.C., Caribesock, Inc., Caribetex, Inc., CASA International, LLC, CC Products LLC, Ceibena Del, Inc., Event 1 LLC, GearCo LLC, GFSI Holdings LLC, GFSI LLC, Hanesbrands Distribution, Inc., Hanesbrands Export Canada LLC, HBI Branded Apparel Enterprises, LLC, HBI Branded Apparel Limited, Inc., HBI International, LLC, HBI Sourcing, LLC, Inner Self LLC, Knights Apparel LLC, Knights Holdco LLC, Maidenform (Bangladesh) LLC, Maidenform (Indonesia) LLC, Maidenform Brands LLC, Maidenform International LLC, Maidenform LLC, MF Retail LLC, Playtex Industries, Inc., UPCR, Inc., UPEL, Inc., Hanes Menswear, LLC, Hanes Puerto Rico, Inc., Playtex Dorado, LLC, Seamless Textiles, LLC, Hanes Central Services Europe S.A.S., Hanes Finance Europe S.A.S., Hanes France S.A.S, Hanes Operations S.A.S., Hanesbrands Apparel (Hong Kong) Limited, Hanesbrands Corporate Services (Hong Kong) Limited, Maidenform Brands International Limited, Hanes Commercial Europe S.à r.l., Hanes Global Holdings Luxembourg S.à r.l., Hanes Global Supply Chain Europe S.à r.l., Hanes Holdings Lux S.à r.l., Hanes IP Europe S.à r.l., MFB International Holdings S.à r.l., Hanesbrands GP Luxembourg S.à r.l. and Hanes Netherlands Holdings B.V.

Each Guarantee of each Guarantor will:

- be a senior unsecured obligation of such Guarantor;
- rank equally in right of payment with all existing and future senior unsecured indebtedness of such Guarantor;
- rank senior in right of payment to all future subordinated indebtedness of such Guarantor;
- be effectively subordinated to all existing and future secured indebtedness of such Guarantor to the extent of the value of the collateral securing such indebtedness; and
- be structurally subordinated to all liabilities of any non-guarantor Subsidiary.

Not all of the Parent's Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to their parent entity.

The obligations of a Guarantor under its Guarantee will be limited as necessary to prevent the relevant Guarantee from constituting a fraudulent conveyance or unlawful financial assistance under applicable law, or otherwise to reflect limitations under applicable law. By virtue of these limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "Risk Factors—Risks Relating to the Notes—Corporate benefit, capital maintenance laws and other limitations on the guarantees may adversely affect the validity and enforceability of the guarantees" and "Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees."

In addition, on the Issue Date, Maidenform Brands Spain, S.R.L Unipersonal, a Spanish limited liability company (*sociedad de responsabilidad limitada*), HBI Italy Acquisition Co. S.r.l., an Italian limited liability company (*società a responsabilità limitata*), and Hanesbrands Australia Acquisition Co. Pty Ltd, an Australian proprietary limited company, will not be Guarantors. Maidenform Brands Spain, S.R.L Unipersonal is currently a guarantor under our Euro Term Loan Facility and we expect HBI Italy Acquisition Co. S.r.l. and Hanesbrands Australia Acquisition Co. Pty Ltd to become guarantors under our Euro Term Loan Facility on or prior to the date of the consummation of the acquisitions of Champion Europe and Pacific Brands, respectively. We have agreed that such entities will become Guarantors no later than 30 days after the Issue Date. See "—Certain Covenants—Future Guarantors."

**Principal, Maturity and Interest**

The Issuer will issue the Notes initially with a maximum aggregate principal amount of €450 million. The Issuer will issue the Notes in denominations of €100,000 and any greater integral multiple of €1,000 in excess thereof. The Notes will mature on , 2024. The Issuer is permitted to issue additional Notes under the Indenture in an unlimited aggregate principal amount having identical terms and conditions as the Notes, other than the date of issuance and, under certain circumstances, the first interest payment date and the date from which interest thereon will begin to accrue (any such additional notes, the "*Additional Notes*"); *provided* that if any such Additional Notes are not fungible with the Notes issued in this offering for U.S. federal income tax purposes, such Additional Notes will have one or more separate CUSIP numbers and/or ISINs from the Notes issued in this offering. The Notes and any Additional Notes will be treated as a single class for all purposes of the Indenture, including waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indenture and this "Description of Notes," references to the Notes include any Additional Notes actually issued.

Interest on the Notes will accrue at the rate of % per annum. Interest on the Notes will be payable semiannually in arrears on and of each year, commencing on , 2016. The Issuer will make each interest payment to the holders of record of the Notes on the immediately preceding and .

Interest on the Notes will accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

### Listing

Application will be made to initially list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes for trading on the Euro MTF Market thereof. The Issuer may choose to apply to list the notes on another recognized stock exchange or may, at any time, upon the good faith determination of the Parent's senior management that the ongoing reporting requirements of the Luxembourg Stock Exchange are overly burdensome (including, for the avoidance of doubt, more burdensome than the Parent's reporting requirements under the Exchange Act) to the Issuer, determine that it will not maintain such listing and may instead seek to obtain a listing of such Notes on another recognized stock exchange. For the avoidance of doubt, nothing in this paragraph shall oblige the Issuer to list the Notes, and there can be no assurance that an application to list the Notes will be approved. Settlement of the Notes is not conditioned on obtaining such listing.

### Methods of Receiving Payments on the Notes

Principal, premium, if any, and interest, if any, on the global notes representing the Notes will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more global note registered in the name of or held by a nominee of Euroclear and Clearstream will be made by wire transfer of immediately available funds to the account specified by the holder or holders thereof. For a description of the provisions of Euroclear and Clearstream governing methods of receiving payment on global notes, see "Book-Entry Settlement and Clearance."

Principal, premium, if any, and interest, if any, on any certificated securities will be payable at the specified office or agency of one or more Paying Agents in the City of London and Luxembourg, in each case, maintained for such purposes. In addition, interest on any certificated securities may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "—Paying Agent and Registrar for the Notes."

### Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes, including one Paying Agent in the City of London. The Issuer will ensure that it maintains a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC, or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, any such directive. Elavon Financial Services Limited will initially act as Paying Agent for the Notes.

The Issuer will also maintain a registrar (the "*Registrar*") and a transfer agent (the "*Transfer Agent*"). The initial Registrar will be Elavon Financial Services Limited and the initial Transfer Agent will be Elavon Financial Services Limited, UK Branch. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Notes on behalf of the Issuer. A register of the Notes shall be left at the registered office of the Issuer. In case of inconsistency between the register of Senior kept by the Registrar and the one kept by the Issuer at its registered office, the register kept by the Issuer shall prevail.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the holders of such Notes. However, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*). The Parent or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

**Transfer and Exchange**

A holder may transfer or exchange Notes in accordance with the Indenture. The Registrar, the Trustee and any Paying Agent may require a holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuer may require a holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuer is not required to transfer or exchange any Note selected for redemption. Also, the Issuer is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed. No service charge will be made for any registration of transfer or exchange of the Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange.

The holder of a Note will be treated as the owner of it for all purposes.

**Optional Redemption**

Except as set forth below and except as described below under "—Redemption for Taxation Reasons," the Issuer will not be entitled to redeem the Notes at its option.

Prior to                    , 2024 (three months prior to the maturity date of the Notes), the Issuer will be entitled, at its option, to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, but excluding the redemption date for the Notes. Notice of such redemption must be mailed by first-class mail (or delivered by electronic transmission in accordance with the applicable procedures of Euroclear and Clearstream) to each holder's registered address, not less than ten nor more than 60 days prior to the redemption date, and any such redemption will otherwise be given in accordance with the provisions set forth under "—Selection and Notice of Redemption."

In addition, on or after                    , 2024 (three months prior to the maturity date of the Notes), the Issuer may redeem the Notes in whole or in part at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including the redemption date the Notes, and any such notice of redemption will otherwise be given in accordance with the provisions set forth under "—Selection and Notice of Redemption."

If the optional redemption date is on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest in respect of Notes subject to redemption will be paid on the redemption date to the Person in whose name the Note is registered at the close of business, on such record date, and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuer.

If the Issuer effects an optional redemption of the Notes, it will, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

"*Applicable Premium*" means with respect to a Note at any redemption date, as provided by the Issuer, the excess of (1) the present value at such redemption date of the remaining scheduled payments of principal and interest due on the Note (but excluding accrued and unpaid interest, if any, to but excluding the redemption date), computed using a discount rate equal to the Bund Rate, over (2) the principal amount of the Note on such redemption date.

For the avoidance of doubt, calculation of the Applicable Premium will not be the obligation or responsibility of the Trustee or Paying Agent.

"*Bund Rate*" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to , 2024; *provided, however*, that if the period from the redemption date to the applicable date set forth above is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to the applicable date set forth above is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

**Selection and Notice of Redemption**

Notice of any redemption of the Notes in connection with a transaction or an event (including a Change of Control Triggering Event) may, at the Issuer's discretion, be given prior to the completion or the occurrence thereof and any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion or occurrence of the related transaction or event.

If less than all of the Notes are to be redeemed at any time, the Trustee or the Registrar, as applicable, will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee or the Registrar, as applicable, by the Issuer, and in compliance with the requirements of Euroclear and Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, or Euroclear and Clearstream prescribe no method of selection, on a *pro rata* basis; *provided*, *however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part. The Trustee, Paying Agent and Registrar shall not be liable for any selection of Notes made in accordance with this paragraph.

So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the Notes shall to the extent and in the manner permitted by such rules be posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) and in addition to such release, not less than ten nor more than 60 days' prior to the redemption date, if the Notes are in certificated form, the Issuer will mail, or at the expense of the Issuer, cause to be mailed, such notice to holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may also be posted on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a certificated Note, a new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder thereof upon cancellation of the original Note. In the case of a global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

**Redemption for Taxation Reasons**

The Issuer or a successor entity may redeem the Notes in whole, but not in part, at any time upon giving not less than ten nor more than 60 days' notice to the holders (which notice will be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (see "—Withholding Taxes"), if any, then due and which will become due on the redemption date as a result of the redemption or otherwise, if any, if the Issuer, a successor entity or a Guarantor (a "*Payor*") reasonably determines in good faith that, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below in "—Withholding Taxes") affecting taxation; or

(2) any change in, or amendment to, or the introduction of, an official position regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

such Payor is or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to such Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction as of the Issue Date, such Change in Tax Law must become effective on or after the Issue Date. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the Issue Date, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction. Notice of redemption for taxation reasons will be published in accordance with the procedures described under "—Selection and Notice of Redemption." Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the relevant Payor would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or, where relevant, mailing of any notice of redemption of any Notes pursuant to the foregoing, the Issuer or a successor entity will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the relevant Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the holders.

**Withholding Taxes**

All payments made by a Payor with respect to the Notes or the Guarantees, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges of whatever nature (including any penalties, interest and other additions relating thereto) (collectively, "*Taxes*"), unless the withholding or deduction of such Taxes is then required by law. If any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) Luxembourg or any political subdivision or governmental authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note or Guarantee, as applicable, is made by the relevant Payor or any political subdivision or governmental authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which the relevant Payor is organized or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a "*Relevant Taxing Jurisdiction*"),

will at any time be required from any payments made by or on behalf of a Payor with respect to any Note or Guarantee, including payments of principal, redemption price, premium, if any, or interest, if any, the relevant Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by the holders, the Trustee or the Paying Agent, as the case may be, after such withholding or deduction (including any such withholding or deduction from such Additional Amounts), will equal the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant holder or beneficial owner, if the relevant holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership, holding or disposition of such Note or Guarantee or the receipt of any payment or enforcement of rights in respect thereof;

(2) any Taxes that are imposed or withheld by reason of the failure by the holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the holder, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on or with respect to the Notes or any Guarantee;

(4) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(5) any Taxes that would not have been so withheld or deducted if the Note had been presented for payment (where presentation is permitted or required for payment) within 30 days after the relevant payment was first made available the holder of the Note (except to the extent that the holder would have been entitled to Additional Amounts had such Note been presented for payment on the last day of such 30-day period);

(6) any Taxes imposed in connection with a Note presented for payment (where presentation is permitted or required for payment) by or on behalf of a holder or beneficial owner who would have been able to avoid such tax by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(7) where such withholding or deduction is required pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986 (as amended) (the "*Code*") (or any amended or successor version that is substantively comparable) or otherwise imposed pursuant to sections 1471 through 1474 of the Code (or any amended or successor version that is substantively comparable), any regulations or agreements thereunder, official interpretations thereof, or any similar law or regulation implementing an intergovernmental agreement between a non-U.S. jurisdiction and the United States related thereto; or

(8) any combination of the above.

In addition, no Additional Amounts shall be paid with respect to any payment to any holder who is a fiduciary or a partnership or other than the sole beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

Notwithstanding the foregoing, the limitations on a Payor's obligation to pay Additional Amounts set forth in clause (2) above will not apply if compliance with any certification, information, documentation, evidentiary or other reporting requirement described in such clause (2) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a Note than comparable information or other reporting requirements imposed under U.S. tax law, regulations and administrative practice (such as IRS Forms W-8 and W-9).

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Payor and will provide such certified copies to the Trustee and the Paying Agents. Such copies shall be made available to the holders upon reasonable request and will be made available at the offices of the Paying Agents.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof, without further inquiry, that such payments are necessary.

Wherever in the Indenture or this offering memorandum there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to the Notes or any Guarantee,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Issuer will pay any present or future stamp, issue, registration, court or documentary taxes, any other excise taxes or any other property or similar taxes, charges or levies (including, in each case, any penalties, interest and other liabilities relating thereto) that arise in any jurisdiction from the execution, delivery, registration, enforcement or making of payments in respect of the Notes, the Indenture or any other document or instrument in relation thereto, excluding any such taxes imposed by any jurisdiction that is not a Relevant Jurisdiction, except those resulting from, or required to be paid in connection with, the enforcement of the Notes after the occurrence and during the continuance of a Default or Event of Default with respect to the Notes. The Issuer agrees to indemnify the holders for any such taxes paid by such holders. The foregoing obligations of this paragraph will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is organized or otherwise considered to be a resident for tax purposes or any political subdivision or taxing authority or agency thereof or therein.

**No Sinking Fund; Open Market Purchases**

The Issuer is not required to make any sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase Notes as described under the caption "—Change of Control Triggering Event." The Issuer may at any time and from time to time acquire Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of the Indenture.

**Guarantees**

The Notes will be guaranteed, jointly and severally, on a senior basis by the Guarantors. As of the Issue Date, the Guarantors will be the entities set forth above under the caption "—Brief Description of the Notes and the Guarantees—The Guarantees." Subject to certain limitations under applicable law, existing and future Subsidiaries of the Parent will be required to provide a Guarantee in accordance with the covenant described under "—Certain Covenants—Future Guarantors."

In addition, on the Issue Date, Maidenform Brands Spain, S.R.L Unipersonal, a Spanish limited liability company (*sociedad de responsabilidad limitada*), HBI Italy Acquisition Co. S.r.l., an Italian limited liability company (*società a responsabilità limitata*), and Hanesbrands Australia Acquisition Co. Pty Ltd, an Australian proprietary limited company, will not be Guarantors. Maidenform Brands Spain, S.R.L Unipersonal is currently a guarantor under our Euro Term Loan Facility and we expect HBI Italy Acquisition Co. S.r.l. and Hanesbrands Australia Acquisition Co. Pty Ltd to become guarantors under our Euro Term Loan Facility on or prior to the date of the consummation of the acquisitions of Champion Europe and Pacific Brands, respectively. We have agreed that such entities will become Guarantors no later than 30 days after the Issue Date. See "—Certain Covenants—Future Guarantors."

The Indenture will limit the obligation to grant guarantees in favor of obligations under the Notes and will include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference, thin capitalization rules, retention of title claims and similar principles. The obligations of the Guarantors will be contractually limited under the applicable Guarantees to reflect these limitations and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. By virtue of these limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "Risk Factors—Risks Relating to the Notes—Corporate benefit, capital maintenance laws and other limitations on the guarantees may adversely affect the validity and enforceability of the guarantees" and "Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees.

Each Guarantor that makes a payment under its Guarantee will be entitled upon payment in full of all guaranteed obligations under the Indenture to a contribution from each other Guarantor in an amount equal to such other Guarantor's *pro rata* portion of such payment based on the respective net assets of all the Guarantors at the time of such payment determined in accordance with GAAP.

The Guarantee of a Guarantor will be automatically and unconditionally released and discharged:

(A) (1) in the case of a Subsidiary Guarantor, upon the sale or other disposition (including by way of consolidation or merger) of a Subsidiary Guarantor, other than to the Parent or a Subsidiary of Parent and as permitted by the Indenture;

(2) in the case of a Subsidiary Guarantor, upon the sale or disposition of all or substantially all the assets of a Subsidiary Guarantor, other than to the Parent or a Subsidiary of Parent and as permitted by the Indenture;

(3) in the case of a Subsidiary Guarantor, at such time as such Subsidiary Guarantor no longer guarantees any (i) Debt Facility with aggregate principal amount of $100.0 million or more (including, without limitation, the Senior Secured Credit Facility) or (ii) Material Capital Markets Debt of the Parent;

(4) upon the legal defeasance or covenant defeasance of the Notes, as provided under "—Defeasance" or the discharge of the Issuer's obligations under the Indenture in accordance with the terms of the Indenture;

(5) as described under "—Amendments and Waivers;" or

(6) in the case of the Parent, upon the circumstances described in (4) and (5), and if the Issuer ceases for any reason to be a Subsidiary of the Parent; *provided* that all guarantees and other obligations of the Parent in respect of all other indebtedness under any Debt Facility or Material Capital Markets Debt of the Issuer terminate upon the Issuer ceasing to be a Subsidiary of the Parent; and

(B) upon such Guarantor delivering to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for in the Indenture relating to such transaction or release have been complied with.

In the case of clause (A)(3), subject to the covenant set forth under "—Certain Covenants—Future Guarantors," in the event that any released Subsidiary Guarantor thereafter borrows money or guarantees indebtedness under any Debt Facility with aggregate principal amount of $100.0 million or more or Material Capital Markets Debt of the Parent, such former Subsidiary Guarantor will again provide a Guarantee. See "—Certain Covenants—Future Guarantors."

The Trustee shall take all necessary actions to effectuate any release of a Guarantor in accordance with the provisions of the Indenture, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by Trustee without the consent of the holders of the Notes or any other action or consent on the part of the Trustee. At the Issuer's written request and expense, the Trustee will promptly execute and deliver an instrument prepared by the Issuer evidencing such release.

### Ranking

The indebtedness evidenced by the Notes and the Guarantees will be senior unsecured obligations and will rank equally in right of payment with all other unsecured unsubordinated indebtedness of the Issuer or the applicable Guarantor, as the case may be.

As of April 2, 2016, after giving effect to this offering and the application of the estimated net proceeds from this offering as set forth in "Use of Proceeds," and the Refinancing Transactions:

(1) the Issuer and the Guarantors would have had approximately $3.85 billion of total indebtedness (including the Notes);

(2) the Issuer and the Guarantors would have had commitments available to be borrowed under the Revolving Credit Facility of approximately $888.6 million (which commitments may be borrowed to, among other things, finance the acquisitions of Champion Europe and/or Pacific Brands); and

(3) the non-guarantor Subsidiaries of the Parent would have had less than $900 million of total liabilities, including trade payables but excluding intercompany liabilities.

The Notes and the Guarantees are unsecured obligations of the Issuer and the Guarantors, as the case may be. Secured indebtedness and other secured obligations of the Issuer and the Guarantors, including indebtedness incurred under the Senior Secured Credit Facility, will be effectively senior to the Notes and the Guarantees to the extent of the value of the assets securing such indebtedness or other obligations.

The Indenture contains no limitations on the amount of additional indebtedness that the Issuer and the Guarantors may incur and therefore the amount of such indebtedness could be substantial and, subject to the limitations set forth in the covenant described under "—Certain Covenants—Limitation on Liens," such indebtedness may be secured indebtedness. Moreover, the Indenture does not impose any limitation on the incurrence by the Parent or its Subsidiaries of liabilities that are not considered indebtedness under the Indenture.

A substantial portion of our operations is conducted through our Subsidiaries. Guarantees may be released under certain circumstances. In addition, our future Subsidiaries will only be required to guarantee the Notes under the circumstances described under the caption "—Certain Covenants—Future Guarantors." Claims of creditors (including trade creditors) of any non-guarantor Subsidiaries and joint ventures, and claims of preferred stockholders of such non-guarantor Subsidiaries and joint ventures, generally will have priority with respect to the assets and earnings of such non-guarantor Subsidiaries and joint ventures over the claims of creditors of the Issuer and the Guarantors, including holders of the Notes and the Guarantees. Accordingly, the Notes will be effectively subordinated to creditors (including trade creditors) and preferred stockholders, if any, of such non-guarantor Subsidiaries and joint ventures.

For the 12 months ended April 2, 2016, we estimate that these non-guarantor Subsidiaries accounted for less than 15% of our consolidated sales, excluding intercompany transactions. As of April 2, 2016, our non-guarantor Subsidiaries represented less than 40% of our consolidated total assets and had less than $900 million of total liabilities, including trade payables but excluding intercompany liabilities.

**Change of Control Triggering Event**

If a Change of Control Triggering Event occurs, each noteholder shall have the right to require that the Issuer make an offer to purchase such noteholder's Notes (equal to €100,000 and integral multiples of €1,000 in excess thereof in the case of Notes that have denominations larger than €100,000) at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest, if any, to but excluding the date of purchase.

If the Change of Control purchase date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest to the Change of Control purchase date will be paid on the Change of Control purchase date to the Person in whose name a Note is registered at the close of business on such record date.

Within 30 days following the occurrence of a Change of Control Triggering Event, unless the Issuer has exercised its option to redeem all the Notes as described under "—Optional Redemption," the Issuer will mail (or deliver by electronic transmission in accordance with the applicable procedures of Euroclear and Clearstream) a notice to each holder of a Note with a copy to the Trustee (the "*Change of Control Offer*") stating:

(1) that a Change of Control Triggering Event has occurred and that such noteholder has the right to require us to purchase such noteholder's Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, to but excluding the date of purchase;

(2) the circumstances that constitute or may constitute such Change of Control Triggering Event;

(3) the purchase date (which shall be no earlier than ten days nor later than 60 days from the date such notice is sent); and

(4) the instructions, as determined by the Issuer, consistent with the covenant described hereunder, that a noteholder must follow in order to have its Notes purchased.

If and for so long as Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control payment date in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The Issuer will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or if the Issuer has exercised its option to redeem all of the Notes pursuant to the provisions described under "—Optional Redemption."

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the purchase of Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the covenant described hereunder by virtue of its compliance with such securities laws or regulations.

The Change of Control Triggering Event purchase feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of the Parent and, thus, the removal of incumbent management. The Change of Control Triggering Event purchase feature is a result of negotiations between us and the initial purchasers. We have no present intention to engage in a transaction involving a Change of Control, although it is possible that we could decide to do so in the future. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to incur additional secured indebtedness are contained in the covenant described under "—Certain Covenants—Limitation on Liens." Such restrictions can only be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding. Except for the limitations contained in such covenant, however, the Indenture will not contain any covenants or provisions that may afford holders of the Notes protection in the event of a highly leveraged transaction.

Holders may not be entitled to require the Issuer to purchase their Notes in certain circumstances involving a significant change in the composition of our Board of Directors, including in connection with a proxy contest.

The Senior Secured Credit Facility provides that the occurrence of certain change of control events with respect to the Parent would constitute a default thereunder. Future indebtedness that we may incur may contain prohibitions on the occurrence of certain events that would constitute a Change of Control or require the purchase of such indebtedness upon a Change of Control. Moreover, the exercise by the holders of their right to require us to purchase the Notes could cause a default under such indebtedness, even if the Change of Control itself does not, due to the financial effect of such purchase on us. Finally, the Issuer's ability to pay cash to the holders of Notes following the occurrence of a Change of Control may be limited by its then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required purchases. See "Risk Factors—Risks Relating to the Notes—We may not be able to repurchase the notes upon a Change of Control Triggering Event."

Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event, conditional upon such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control at the time of making of such Change of Control Offer.

The phrase "all or substantially all," as used with respect to the assets of the Parent in the definition of "Change of Control," is subject to interpretation under applicable law, and its applicability in a given instance would depend upon the facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Parent has occurred in a particular instance, in which case a holder of Notes' ability to obtain the benefit of these provisions could be unclear.

The provisions under the Indenture relative to the Issuer's obligation to make an offer to purchase the Notes as a result of a Change of Control Triggering Event may be waived or modified with the written consent of the holders of a majority in principal amount of the Notes.

For purposes of this discussion of a repurchase of the Notes following a Change of Control Triggering Event:

A "*Change of Control*" means the occurrence of any of the following:

(1) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act or any successor provision), is or becomes the beneficial owner (as such term is used in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provision), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Parent;

(2) the adoption of a plan relating to the liquidation or dissolution of the Parent;

(3) the merger or consolidation of the Parent with or into another Person or the merger of another Person with or into the Parent or the sale of all or substantially all the assets of the Parent (determined on a consolidated basis) to another Person, other than a transaction following which in the case of a merger or consolidation transaction, holders of securities that represented 100% of the Voting Stock of the Parent immediately prior to such transaction (or other securities into which such securities are converted as part of such merger or consolidation transaction) own, directly or indirectly, at least a majority of the voting power of the Voting Stock of the surviving Person in such merger or consolidation transaction immediately after such transaction; or

(4) the Parent ceases to own, directly or indirectly, 100% of all equity interests in the Issuer.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if (a) the Parent becomes a direct Subsidiary of a holding company, (b) such holding company owns no assets other than the Capital Stock of the Parent and (c) upon completion of such transaction, the ultimate beneficial ownership of the Parent has not been modified by such transaction.

## Certain Covenants

***Consolidation, Merger, Sale or Conveyance***

(a) The Indenture will provide that the Issuer may not consolidate with or merge into any other entity or convey, transfer or lease its properties and assets substantially as an entirety to any entity, unless:

(1) the Issuer is the successor entity, or the successor or transferee entity, if other than the Issuer, is a Person organized and existing under the laws of the United States, any state thereof, the District of Columbia, Canada, any province of Canada, Norway, Switzerland or any member state of the European Union (except if the Issuer determines in good faith that such requirement is not in the best interests of the Parent and its Subsidiaries or that complying with such requirement would not be advisable for tax planning purposes or to improve tax efficiencies) and expressly assumes by a supplemental indenture executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, the due and punctual payment of the principal of, any premium on and any interest on all the outstanding Notes and the performance of every covenant and obligation in the Indenture to be performed or observed by the Issuer;

(2) immediately after giving effect to the transaction, no Event of Default, as defined in the Indenture, and no event which, after notice or lapse of time or both, would become an Event of Default, has happened and is continuing; and

(3) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each in the form required by the Indenture and stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the foregoing provisions relating to such transaction, and constitutes the legal, valid and binding obligation of the Issuer or successor entity, as applicable, subject to customary exceptions.

In case of any such consolidation, merger, conveyance or transfer (but not lease), the successor entity will succeed to and be substituted for the Issuer as obligor on the Notes with the same effect as if it had been named in the Indenture as the Issuer.

(b) The Indenture will provide that no Guarantor may consolidate with or merge into any other entity, unless:

(1) a Guarantor is the successor entity or the successor or transferee entity, if not a Guarantor prior to such consolidation or merger, expressly assumes, by a supplemental indenture, all the obligations of such Guarantor under its Guarantee;

(2) immediately after giving effect to the transaction, no Event of Default, as defined in the Indenture, and no event which, after notice or lapse of time or both, would become an Event of Default, has happened and is continuing; and

(3) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each in the form required by the Indenture and stating that such consolidation or merger and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the foregoing provisions relating to such transaction and constitutes the legal, valid and binding obligation of the Guarantor or successor entity, as applicable, subject to customary exceptions.

Notwithstanding clauses (a) and (b) above, this "—Consolidation, Merger, Sale or Conveyance" covenant will not apply to a merger, transfer or conveyance or other disposition of assets between or among the Issuer and the Guarantors.

### *Limitation on Liens*

The Parent will not, and will not permit any Subsidiary of the Parent to, create, incur, issue, assume or guarantee any indebtedness for money borrowed evidenced by loans, bonds, notes, debentures, letters of credit, bankers' acceptances, hedging obligations or instruments similar to the foregoing, in each case to the extent such indebtedness would appear as a liability on the balance sheet of such Person in accordance with GAAP ("*Debt*") secured by a Lien (other than Permitted Liens) upon (a) any Property of the Parent or such Subsidiary or (b) any shares of Capital Stock or Debt issued by any Subsidiary of the Parent and owned by the Parent or any Subsidiary of the Parent, whether owned on the Issue Date or thereafter acquired, without effectively providing concurrently that the Notes then outstanding under the Indenture are secured equally and ratably with or, at the option of the Parent, prior to such Debt so long as such Debt shall be so secured.

Any Lien created for the benefit of the holders of the Notes pursuant to the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Lien relating to such Debt that gave rise to the obligation to so secure the Notes.

The foregoing restriction shall not apply to, and there shall be excluded from Debt (or any guarantee thereof) in any computation under such restriction, Debt (or any guarantee thereof) secured by:

(1) Liens on any property existing at the time of the acquisition thereof;

(2) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Parent or a Subsidiary of the Parent or at the time of a sale, lease or other disposition of the properties of such Person (or a division thereof) as an entirety or substantially as an entirety to the Parent or a Subsidiary of the Parent; *provided* that any such Lien does not extend to any property owned by the Parent or any Subsidiary of the Parent immediately prior to such merger, consolidation, sale, lease or disposition;

(3) Liens on property of a Person existing at the time such Person becomes a Subsidiary of the Parent;

(4) Liens in favor of the Parent or a Subsidiary of the Parent;

(5) Liens to secure all or part of the cost of acquisition, construction, development or improvement of the underlying property, or to secure Debt incurred to provide funds for any such purpose; *provided* that the commitment of the creditor to extend the credit secured by any such Lien shall have been obtained no later than 270 days after the later of (a) the completion of the acquisition, construction, development or improvement of such property or (b) the placing in operation of such property; *provided*, *further,* that such Liens do not extend to any property other than such property subject to acquisition, construction, development or improvement;

(6) Liens in favor of the United States of America, any State thereof, any institution of the European Union or any foreign government, or any department, agency or instrumentality or political subdivision thereof, to secure partial, progress, advance or other payments;

(7) Liens existing on the Issue Date or any extension, renewal, replacement or refunding or series of related extensions, renewals, replacements or refundings of any Debt (or any guarantee thereof) (including the Senior Secured Credit Facility and the Receivables Facility) secured by a Lien existing on the Issue Date or referred to in clauses (1)-(3) or (5); *provided* that any such extension, renewal, replacement or refunding or series of related extensions, renewals, replacements or refundings of such Debt (or any guarantee thereof) shall be created within 270 days of repaying the Debt (or any guarantee thereof) secured by the Lien referred to in clauses (1)-(3) or (5) and the principal amount of the Debt (or any guarantee thereof) secured thereby and not otherwise authorized by clauses (1)-(3) or (5) shall not exceed the principal amount of Debt (or any guarantee thereof), plus any premium or fee payable in connection with any such extension, renewal, replacement or refunding, so secured at the time of such extension, renewal, replacement or refunding or series of related extensions, renewals, replacements or refundings;

(8) Liens incurred in the ordinary course of business in an aggregate principal amount not to exceed $100.0 million;

(9) Liens in favor of the Notes and the Guarantees; and

(10) Liens securing hedging obligations entered into in the ordinary course of business.

In addition, notwithstanding the restrictions described above, the Parent and any Subsidiaries of the Parent may create, incur, issue, assume or guarantee Debt secured by Liens without equally and ratably securing the Notes then outstanding if, at the time of such creation, incurrence, issuance, assumption or guarantee, after giving effect thereto and to the retirement of any Debt which is concurrently being retired,

(A) the aggregate amount of all such Debt secured by Liens which would otherwise be subject to such restrictions (other than any Debt (or any guarantee thereof) secured by Liens permitted as described in clauses (1)-(10) of the immediately preceding paragraph) *plus*

(B) all Attributable Debt of the Parent and the Subsidiaries of the Parent in respect of Sale/Leaseback Transactions with respect to Properties (with the exception of such transactions that are permitted under clauses (1)-(4) of the first sentence of the first paragraph under "—Certain Covenants—Limitation on Sale/Leaseback Transactions" below)

would not exceed the greater of (x) $3,000.0 million and (y) the amount that would cause the Consolidated Secured Net Debt Ratio to exceed 3.25 to 1.00.

***Limitation on Sale/Leaseback Transactions***

The Parent will not, and will not permit any Subsidiary of the Parent to, enter into any Sale/Leaseback Transaction with respect to any Property unless:

(1) the Sale/Leaseback Transaction is solely with the Parent or another Subsidiary of the Parent;

(2) the lease is for a period not in excess of 36 months (or which may be terminated by the Parent or such Subsidiary), including renewals;

(3) the Parent or such Subsidiary would (at the time of entering into such arrangement) be entitled as described in clauses (1)-(10) of the second paragraph under the heading "—Certain Covenants—Limitation on Liens," without equally and ratably securing the Notes then outstanding under the Indenture, to create, incur, issue, assume or guarantee Debt secured by a Lien on such Property in the amount of the Attributable Debt arising from such Sale/Leaseback Transaction;

(4) the Parent or such Subsidiary, within 360 days after the sale of such Property in connection with such Sale/Leaseback Transaction is completed, applies an amount equal to the net proceeds of the sale of such Property to (a) the retirement of Notes, other Funded Debt of the Parent ranking on a parity with the Notes (or the Guarantees of the Notes) or Funded Debt of a Subsidiary of the Parent, (b) the purchase of Property; or (c) a combination thereof; or

(5) (a) the Attributable Debt of the Parent and Subsidiaries of the Parent in respect of such Sale/Leaseback Transaction and all other Attributable Debt of the Parent and Subsidiaries of the Parent in respect of Sale/Leaseback Transactions entered into after the Issue Date then outstanding (other than any such Sale/Leaseback Transaction as would be permitted as described in clauses (1)-(4) of this sentence), *plus*

(b) the aggregate principal amount of Debt secured by Liens on Properties then outstanding (not including any such Debt secured by Liens described in clauses (1)-(10) of the second paragraph under the heading "—Certain Covenants—Limitation on Liens") that are not equally and ratably secured with the outstanding Notes (or secured on a basis junior to the outstanding Notes),

would not exceed the greater of (x) $3,000.0 million and (y) the amount that would cause the Consolidated Secured Net Debt Ratio to exceed 3.25 to 1.00.

### *Future Guarantors*

After the Issue Date, the Parent will cause each Subsidiary of the Parent that guarantees (i) any Debt Facility of the Issuer, the Parent or any other Guarantor with an aggregate principal amount of $100.0 million or more or (ii) any Material Capital Markets Debt issued by the Issuer, the Parent or any other Guarantor to, within 45 days of the incurrence of such guarantee, execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Subsidiary of the Parent will guarantee payment of the Notes on the same terms and conditions as those set forth in the Indenture; *provided* that such Subsidiary shall not be obliged to become a Guarantor to the extent and for so long as the granting of such Guarantee could give rise to or result in: (i) any breach or violation of general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference or thin capitalization rules, retention of title to claims or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; or (ii) any risk or liability for the officers, directors or shareholders of such Subsidiary (or, in the case of a Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (iii) any cost, expense, liability or obligation (including with respect to any Taxes) to the extent such cost, expense, liability or obligation are disproportionate to the benefit obtained by the holders of the Notes with respect to the receipt of the guarantee (as determined in good faith by the Issuer).

To the extent any Subsidiary of the Parent is required to provide a Guarantee, such Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

In addition, on the Issue Date, Maidenform Brands Spain, S.R.L Unipersonal, a Spanish limited liability company (*sociedad de responsabilidad limitada*), HBI Italy Acquisition Co. S.r.l., an Italian limited liability company (*società a responsabilità limitata*), and Hanesbrands Australia Acquisition Co. Pty Ltd, an Australian proprietary limited company, will not be Guarantors. Maidenform Brands Spain, S.R.L Unipersonal is currently a guarantor under our Euro Term Loan Facility and we expect HBI Italy Acquisition Co. S.r.l. and Hanesbrands Australia Acquisition Co. Pty Ltd to become guarantors under our Euro Term Loan Facility upon the consummation of the acquisitions of Champion Europe and Pacific Brands, respectively. We have agreed that such entities will become Guarantors no later than 30 days after the Issue Date.

### *Provision of Financial Information*

Whether or not required by the SEC, so long as any Notes are outstanding, the Parent will furnish to the holders of such Notes, or file electronically with the SEC through the SEC's Electronic Data Gathering, Analysis and Retrieval System (or any successor system) ("*EDGAR*"), within the time periods specified in the SEC's rules and regulations:

(1) all quarterly and annual financial information that would be required to be contained in a filing by the Parent with the SEC on Forms 10-Q and 10-K if the Parent were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report on the annual financial statements by the Parent's certified independent accountants; and

(2) all current reports that would be required to be filed by the Parent with the SEC on Form 8-K if the Parent were required to file such reports,

*provided* that such reports referenced in clauses (1) and (2) above shall not be required to contain the separate financial information for any Guarantor or non-consolidated entity that would be required by Rule 3-09, Rule 3-10 or Rule 3-16 of Regulation S-X under the Securities Act.

The Parent will also make available copies of all reports required by clauses (1) and (2) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, at the offices of the Paying Agent in Luxembourg or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Luxembourg Stock Exchange.

In addition, whether or not required by the SEC, the Parent will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the SEC's rules and regulations (unless the SEC will not accept such a filing) and make such information available to prospective investors. In addition, the Parent has agreed that, for so long as any Notes remain outstanding, it will furnish to the holders of such Notes and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

The Trustee shall have no responsibility to ensure that such filing has occurred. Delivery of reports, information and documents to the Trustee is for informational purposes only and its receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including our compliance with any of the covenants under the Indenture or the Notes (as to which the Trustee is entitled to rely exclusively on Officer's Certificates without further enquiry). The Parent will be deemed to have furnished such reports referred to in this section to the Trustee and the noteholders if the Parent has filed such reports with the SEC via the EDGAR filing system and such reports are publicly available.

**Defaults**

Each of the following is an Event of Default under the Indenture:

(1) a default in the payment of interest on the Notes when due, continued for 30 days;

(2) a default in the payment of principal of any Note when due at its Stated Maturity, upon redemption, upon required purchase, upon declaration of acceleration or otherwise;

(3) the failure by the Issuer or any Guarantor to comply with its obligations under "—Certain Covenants—Consolidation, Merger, Sale or Conveyance;"

(4) the failure by the Issuer or any Guarantor, as the case may be, to comply for 45 days after notice with any of its obligations in the covenants described above under "Change of Control Triggering Event" (other than a failure to purchase Notes) or under "—Certain Covenants" under "—Limitation on Liens," "—Limitation on Sale/Leaseback Transactions" or "—Future Guarantors;"

(5) the failure by the Parent to comply for 120 days after notice with any of its obligations in the covenant described above under "—Certain Covenants—Provision of Financial Information;"

(6) the failure by the Issuer or any Guarantor to comply for 60 days after notice with its other agreements contained in the Indenture;

(7) Debt of the Parent, the Issuer or any Significant Subsidiary (or any group of Guarantors that, taken together (as of the date of the latest audited consolidated financial statements of the Parent and its Subsidiaries), would constitute a Significant Subsidiary) is not paid within any applicable grace period after final maturity or is accelerated by the holders thereof because of a default and the total amount of such Debt unpaid or accelerated exceeds $150.0 million;

(8) certain events of bankruptcy, insolvency or reorganization of the Parent, the Issuer or any Significant Subsidiary (or any group of Guarantors that, taken together (as of the date of the latest audited consolidated financial statements of the Parent and its Subsidiaries), would constitute a Significant Subsidiary);

(9) any final judgment or decree for the payment of money (other than judgments which are covered by enforceable insurance policies issued by solvent carriers) in excess of $150.0 million is entered against the Parent, the Issuer or any Significant Subsidiary (or any group of Guarantors that, taken together (as

of the date of the latest audited consolidated financial statements of the Parent and its Subsidiaries), would constitute a Significant Subsidiary), remains outstanding for a period of 60 consecutive days following such judgment becoming final and is not discharged, waived or stayed within 30 days after notice; or

(10) a Guarantee ceases to be in full force and effect (other than in accordance with the terms of such Guarantee) or a Guarantor denies or disaffirms its obligations under its Guarantee.

However, a Default under clauses (4), (5), (6) and (9) will not constitute an Event of Default until the Trustee or the holders of 25% in principal amount of the outstanding Notes notify the Issuer and the Parent (with a copy to the Trustee if given by the holders of Notes) of the Default and the Issuer or the Parent, as the case may be, does not cure such Default within the time specified after receipt of such notice. In the event of any Event of Default specified under clause (7), such Event of Default and all consequences thereof (excluding any resulting payment default, other than as a result of acceleration of Notes) shall be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders of Notes, if within 60 days after such Event of Default arose: (a) holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (b) the default that is the basis for such Event of Default has been cured.

If an Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the outstanding Notes by written notice to the Issuer and the Parent (and to the Trustee if such notice is given by the holders) may declare the principal of and accrued but unpaid interest, if any, and premium, if any, on all the outstanding Notes to be due and payable. Upon such declaration, such principal, interest and premium, if any, shall be due and payable immediately. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Parent and/or the Issuer occurs and is continuing, the principal of and interest (and premium, if any) on all the outstanding Notes of will *ipso facto* become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders of such Notes. Under certain circumstances, the holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to such Notes and its consequences.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders of Notes unless such holders have offered to the Trustee indemnity and/or security (including by way of pre-funding) satisfactory to it against any loss, liability or expense and then only to the extent required by the terms of the Indenture. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no holder of a Note may pursue any remedy with respect to the Indenture or such Notes unless:

(1) such holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee in writing to pursue the remedy;

(3) such holders have offered the Trustee indemnity and/or security (including by way of pre-funding) satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt thereof and the offer of security and/or indemnity; and

(5) holders of a majority in principal amount of the outstanding Notes have not given the Trustee a written direction inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder of a Note (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not any such directions are unduly prejudicial to such holders) or that would involve the Trustee in personal liability.

If a Default occurs, is continuing and is actually known to the Trustee, the Trustee must mail (or deliver by electronic transmission in accordance with the applicable procedures of Euroclear and Clearstream) to each holder of Notes notice of the Default within 90 days after the Trustee has knowledge of such Default. Except in the case of a Default in the payment of principal of, interest or premium on any Note, the Trustee may withhold notice if it determines that withholding notice is not opposed to the interest of the holders. In addition, the Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any event which would constitute certain Defaults, their status and what action we are taking or propose to take in respect thereof.

**Amendments and Waivers**

Subject to certain exceptions, the Indenture may be amended with the consent of the holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange for the Notes) and any past default or compliance with any provisions may also be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding. However, without the consent of holders of at least 90% of the aggregate principal amount of the outstanding Notes (including, without limitation, consents obtained in connection with a tender offer or exchange for the Notes), an amendment or waiver may not, with respect to any Note held by a non-consenting holder among other things:

(1) reduce the principal amount of Notes whose holders must consent to an amendment;

(2) reduce the rate of or extend the time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) change the optional redemption dates or prices or calculations from those described under "—Optional Redemption" or "—Redemption for Taxation Reasons;"

(5) make any Note payable in money other than that stated in the Note;

(6) amend the right of any holder of the Notes to bring suit for the payment of principal, premium, if any, and interest (including Additional Amounts) on its Notes, on or after the respective due dates expressed or provided for in such Notes;

(7) make any change in the provisions of the Indenture described under "—Withholding Taxes" that adversely affects the right of any holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) make any change in the ranking or priority of any Note or Guarantee that would adversely affect the noteholders; or

(9) release any Guarantor from its Guarantee except as provided for in the Indenture.

Notwithstanding the preceding, without the consent of any holder of Notes, the Issuer, the Guarantors and Trustee may amend or supplement the Indenture:

(1) to cure any ambiguity, omission, defect or inconsistency, as determined in good faith by us;

(2) to provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under the Indenture;

(3) to provide for uncertificated notes in addition to or in place of certificated Notes;

(4) to (i) add guarantees with respect to the Notes, including any Guarantees, or (ii) secure such Notes, in each case pursuant to the provisions of the Indenture;

(5) to add to the covenants of the Parent or any Subsidiary for the benefit of the holders of the Notes or to surrender any right or power conferred upon the Parent or any Subsidiary;

(6) to make any change that does not materially adversely affect the rights of any holder of the Notes, as determined in good faith by the Board of Directors of the Parent;

(7) to conform the text of the Indenture, Guarantees or Notes to any provision of this "Description of notes," as determined in good faith by the Parent;

(8) to provide for the issuance of Additional Notes under the Indenture to the extent otherwise so permitted under the terms of the Indenture;

(9) to release a Guarantor from its Guarantee when permitted by the terms of the Indenture;

(10) to provide for successor trustees or to add to or change any provisions to the extent necessary to appoint a separate trustee for the Notes; or

(11) to make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes as permitted by the Indenture, including, without limitation, to facilitate the issuance and administration of such Notes, or, if incurred in compliance with the Indenture, Additional Notes; *provided*, *however*, that (A) compliance with the Indenture as so amended would not result in such Notes being transferred in violation of the Securities Act or any applicable securities law and (B) such amendment does not materially and adversely affect the rights of holders to transfer Notes, as determined in good faith by us.

Notwithstanding anything to the contrary in the paragraph above, in order to effect an amendment authorized by clause (4)(i) above, it shall only be necessary for the supplemental indenture to be duly authorized and executed by the Issuer, such additional Guarantor and the Trustee. Any other amendments permitted by the Indenture need only be duly authorized and executed by Issuer and the Trustee.

The consent of the holders of the Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

The Trustee shall be entitled to request and rely absolutely on an Officer's Certificate and an Opinion of Counsel in relation to any amendment or supplement.

After an amendment under the Indenture becomes effective, the Issuer is required to mail (or deliver by electronic transmission in accordance with the applicable procedures of Euroclear and Clearstream) to holders of the Notes a notice briefly describing such amendment. However, the failure to give such notice to all holders of the Notes, or any defect therein, will not impair or affect the validity of the amendment.

The Issuer will, for so long as the Notes are admitted for trading on the Euro MTF Market, to the extent required by its rules, inform the Euro MTF Market of any of the foregoing amendments, supplements and waivers and provide, if necessary, a supplement to this offering memorandum setting forth reasonable details in connection with any such amendments, supplements or waivers.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will inform the Luxembourg Stock Exchange of any of the foregoing amendments, supplements and waivers and publish a notice of any of the foregoing amendments, supplements and waivers on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

**Transfer**

The Notes will be issued in registered form and will be transferable only upon the surrender of the Notes being transferred for registration of transfer. The Issuer may require payment of a sum sufficient to cover any tax, assessment or other governmental charge payable in connection with certain transfers and exchanges.

**Defeasance**

The Issuer may, at its option and at any time, elect to have all of its obligations and the obligations of the Guarantors discharged with respect to the Indenture and the outstanding Notes and the Guarantees issued under the Indenture ("*legal defeasance*") except for:

(1) the rights of holders to receive payments in respect of the principal, premium, if any, and interest on the Notes when such payments are due, solely out of the trust referred to below;

(2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for Note payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's obligations in connection therewith; and

(4) the legal defeasance provisions of the Indenture.

If the Issuer exercises the legal defeasance option, the Guarantees in effect at such time will be automatically released.

The Issuer at any time may be released from its obligations described under "—Change of Control Triggering Event" and under the covenants described under "—Certain Covenants" (other than under "—Consolidation, Merger, Sale or Conveyance") ("*covenant defeasance*").

If the Issuer exercises the covenant defeasance option, the Guarantees in effect at such time will be automatically released.

The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option, an Event of Default specified in clause (4), clause (5), clause (7), clause (8) (solely with respect to Significant Subsidiaries), clause (9) or clause (10) under "—Events of Default" above, in each case, shall not constitute an Event of Default.

In order to exercise either legal defeasance or covenant defeasance under the Indenture:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of Notes, cash in euros or euro-denominated European Government Obligations or a combination thereof, in amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, a nationally recognized investment bank or a nationally recognized appraisal or valuation firm delivered to the Trustee, without consideration of any reinvestment of interest, to pay the principal, premium, if any, and interest due on the outstanding Notes of on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must specify whether such Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of legal defeasance, the Issuer has delivered to the Trustee an Opinion of Counsel confirming that, subject to customary assumptions and exclusions, (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (b) since the Issue Date,

there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that the beneficial owners of the Notes will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

(3) in the case of covenant defeasance, the Issuer has delivered to the Trustee an Opinion of Counsel confirming that, subject to customary assumptions and exclusions, the beneficial owners of the Notes will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(4) in the case of legal defeasance or covenant defeasance, the Issuer has delivered to the Trustee an Opinion of Counsel confirming that, subject to customary assumptions and exclusions, (a) the beneficial owners of the Notes will be subject to Luxembourg income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance or covenant defeasance, as the case may be, had not occurred and (b) payments from the defeasance trust will be free and exempt from any and all withholding and other income taxes of whatever nature imposed or levied by or on behalf of Luxembourg or any political subdivision or governmental authority thereof or therein having power to tax;

(5) no Default or Event of Default has occurred and is continuing on the date of such deposit or will occur as a result of such deposit (other than a Default or an Event of Default resulting from the borrowing of funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Debt and, in each case, the granting of Liens in connection therewith) and the deposit will not result in a breach or violation of, or constitute a default under, the Senior Secured Credit Facility or any other material agreement or material debt instrument (other than the Indenture) to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound;

(6) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent relating to the legal defeasance or the covenant defeasance, as the case may be, have been complied with; and

(7) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

**Satisfaction and Discharge**

The Indenture will be discharged, and will cease to be of further effect as to all Notes issued thereunder, when either:

(1) all such Notes that have been authenticated and delivered (except, in the case of certificated notes, lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust) have been delivered to the Trustee for cancellation; or

(2) (a) all such Notes not theretofore delivered to the Trustee for cancellation have become due and payable by reason of the giving of a notice of redemption or otherwise, will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer, and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee, as trust funds in trust solely for the benefit of the holders of such Notes, cash in euros or euro-denominated European Government Obligations or a combination thereof, in such amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Debt on such Notes not theretofore delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption, as the case may be, provided that, with respect to any redemption that requires the

payment of the Applicable Premium, the amount deposited shall be sufficient for purposes of the Indenture to the extent that an amount is so deposited with the Trustee equal to the Applicable Premium calculated as of the date of the notice of redemption, with any deficit on the date of redemption only required to be deposited with the Trustee on or prior to the date of redemption;

(b) no Default or Event of Default has occurred and is continuing on the date of such deposit or will occur as a result of such deposit (other than a Default or an Event of Default resulting from the borrowing of funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Debt and, in each case, the granting of Liens in connection therewith);

(c) the Issuer or any Guarantor has paid or caused to be paid all sums payable by the Issuer under the Indenture; and

(d) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of such Notes at maturity or the redemption date, as the case may be.

In addition, the Issuer shall deliver to the Trustee an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions) each stating that all conditions precedent to satisfaction and discharge have been satisfied.

**Concerning the Trustee**

U.S. Bank Trustees Limited is the Trustee under the Indenture.

If the Trustee becomes a creditor of the Issuer or any Guarantor, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign.

**Notices**

Notices given by publication will be deemed given on the first date on which publication is made, and notices given by first-class mail, postage prepaid, will be deemed given five calendar days after mailing. Notwithstanding any other provision of the Indenture or any Note, where the Indenture or any Note provides for notice of any event (including any notice of redemption) to any holder of an interest in a Global Note (whether by mail or otherwise), such notice shall be sufficiently given if given to Euroclear or Clearstream or any other applicable depositary for such Note (or its designee) according to the applicable procedures of Euroclear or Clearstream or such depositary.

In addition, for so long as any of the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the EuroMTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will make available all notices to the public in written form at places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange, *www.bourse.lu*, or by other means considered equivalent by the Luxembourg Stock Exchange. In addition, for so long as any Notes are represented by global Notes, all notices to holders of the Notes will be delivered to Euroclear and Clearstream, each of which will give such notices to holders of book-entry interests.

**No Personal Liability of Directors, Officers, Employees and Stockholders**

No past, present or future director, officer, employee, incorporator, member, partner or stockholder of the Issuer or any Guarantor, as such, shall have any liability for any obligations of the Issuer or any Guarantor (other than the Issuer in respect of the Notes and each Guarantor in respect of its Guarantee) under the Notes, the Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities law.

**Currency Indemnity and Calculation of Euro-denominated Restrictions**

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the Guarantees including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or any Guarantor or otherwise by any holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or any Guarantor will only constitute a discharge of such Issuer or Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them on a joint and several basis against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the holder of a Note or the Trustee to certify in a satisfactory manner (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is incurred or made, as the case may be.

**Enforceability of Judgments**

Since the assets of the Issuer and certain of the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any non-U.S. Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, if any, Additional Amounts and any redemption price and any purchase price with respect to the Notes or the Guarantees, may not be collectable within the United States. See "Service of Process and Enforcement of Judgments."

**Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Guarantees, the Issuer and each Guarantor will in the Indenture irrevocably submit to the non-exclusive jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

**Governing Law**

The Indenture, the Notes and the Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. In respect of the Notes, the provisions of articles 86 to 94-8 (inclusive) of the Luxembourg law of 10 August 1915 on commercial companies, as amended, shall be expressly excluded.

## Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Attributable Debt*" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Notes, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended) (other than amounts required to be paid on account of property taxes, maintenance, repairs, insurance, water rates and other items which do not constitute payments for property rights); *provided, however*, that if such Sale/Leaseback Transaction results in a Capital Lease Obligation, the amount of indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation."

"*Board of Directors*" means the Board of Directors of the Parent or any committee thereof duly authorized to act on behalf of such Board.

"*Business Day*" means each day other than a Saturday, Sunday or a day on which the Trustee or commercial banking institutions in Luxembourg, London, United Kingdom or New York City, New York are authorized or required by law to close; *provided, however*, that for any payments to be made under the Indenture, such day shall also be a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system is open for the settlement of payments.

"*Capital Lease Obligation*" means an obligation that is required to be classified and accounted for as a capital lease for financial reporting purposes in accordance with GAAP, and the amount of indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. For purposes of the covenant described under "—Certain Covenants—Limitation on Liens," a Capital Lease Obligation will be deemed to be secured by a Lien on the property being leased.

"*Capital Stock*" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible or exchangeable into such equity.

"*Champion Europe*" means Champion Europe S.p.A.

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and a Rating Event.

"*Clearstream*" means Clearstream Banking, a *société anonyme* as currently in effect or any successor securities clearing agency.

"*Common Stock*" shall mean the common stock of the Parent.

"*Consolidated Net Income*" means, for any period, the net income or loss of the Parent and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; *provided*, *however*, that there shall be excluded

(a) the income of any such consolidated Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such consolidated Subsidiary of that income is not at the time permitted by operation of the terms of its charter, by-laws or similar governing document of such Subsidiary; and

(b) the income or loss of any person accrued prior to the date it becomes a consolidated Subsidiary of the Parent or is merged into or consolidated with the Parent or any of its consolidated Subsidiaries or the date that such person's assets are acquired by the Parent or any of its consolidated Subsidiaries;

*provided further*, *however,* that Consolidated Net Income for any period shall be determined after excluding the effects of adjustments (including the effects of such adjustments pushed down to the Parent and its Subsidiaries) in any line item in the Parent's consolidated financial statements in such period pursuant to GAAP resulting from the application of purchase accounting in relation to any completed acquisition.

"*Consolidated Secured Net Debt Ratio*" means, as of any date of determination, the ratio of (1)(a) the aggregate amount of Funded Debt of the Parent and its Subsidiaries then outstanding that is secured by Liens as of such date of determination, *less* (b) cash and cash equivalents of the Parent and its Subsidiaries to (2) EBITDA for the most recent four consecutive fiscal quarters for which internal financial statements of the Parent are available, in each case with *pro forma* and other adjustments to each of Funded Debt and EBITDA to reflect any incurrences or repayments of Funded Debt (which *pro forma* and other adjustments will be determined in good faith by a responsible financial or accounting officer of the Parent and shall not be required to be made in accordance with Regulation S-X promulgated by the SEC) and any acquisitions or dispositions of businesses or assets since the beginning of such four consecutive fiscal quarter period; *provided, however*, that for purposes of calculating the amount under clause (1)(a) above on any date of determination, amounts of revolving credit indebtedness committed pursuant to the Senior Secured Credit Facility or any Debt Facility that may be incurred by the Parent or its Subsidiaries and which, upon incurrence, will be secured by a Lien, shall be deemed to be outstanding at all times and subsequent borrowings, reborrowings, renewals, replacements and extensions of such revolving credit indebtedness, up to such maximum committed amount, shall not be deemed additional incurrences of Funded Debt requiring calculations under this definition (but subsequent incremental borrowings in connection with increases in such maximum committed amount shall require calculations under this definition or shall otherwise comply with the covenant described under "—Certain Covenants—Limitation on Liens").

"*Debt Facilities*" means one or more debt facilities (including, without limitation, the Senior Secured Credit Facility) or commercial paper facilities, securities purchase agreements, indentures or similar agreements, in each case, with banks or other institutional lenders or investors providing for revolving loans, term loans, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables), letters of credit or the issuance of debt securities, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, replaced (whether upon or after termination or otherwise), refinanced, supplemented, modified or otherwise changed (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default; provided that any Default that results solely from the taking of an action that would have been permitted but for the continuation of a previous Default will be deemed to be cured if such previous Default is cured prior to becoming an Event of Default.

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder) or upon the happening of any event:

(1) matures (excluding any maturities as a result of an optional redemption by the issuer thereof) or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable at the option of the holder for indebtedness or Disqualified Stock; or

(3) is mandatorily redeemable or must be purchased upon the occurrence of certain events or otherwise, in whole or in part;

in each case on or prior to 91 days after the earlier of the Stated Maturity of the Notes or the date the Notes are no longer outstanding; *provided, however*, that if such Capital Stock is issued to any employee or to any plan for the benefit of employees of the Parent or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Parent or its Subsidiaries in order to satisfy obligations as a result of such employee's death or disability; *provided further*, *however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of a "change of control" occurring on or prior to 91 days after the Stated Maturity of such Notes shall not constitute Disqualified Stock if:

(1) the "change of control" provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the terms applicable to such Notes and described under "—Change of Control Triggering Event;" and

(2) any such requirement only becomes operative after compliance with such terms applicable to such Notes, including the purchase of any such Notes tendered pursuant thereto.

"*EBITDA*" for any period means Consolidated Net Income for such period *plus*

(a) without duplication and to the extent deducted in determining such Consolidated Net Income, the sum of

(i) consolidated interest expense for such period,

(ii) consolidated income tax expense for such period,

(iii) consolidated depreciation and amortization for such period (including amortization of deferred financing fees or costs),

(iv) any costs, expenses or charges (including advisory, legal and professional fees) related to any Equity Offering, investments, acquisition, disposition, recapitalization or incurrence of any indebtedness (including a refinancing thereof (whether or not successful)), including (A) such fees, expenses or charges related to the offering of the Notes and any Debt Facilities and (B) any amendment or modification of the Notes or any Debt Facility,

(v) any restructuring expenses or charges for such period, including charges or expenses related to employee severance or facilities consolidation,

(vi) any unusual or non-recurring fees, expenses or charges for such period, in each case, representing transaction or integration costs incurred in connection with acquisitions,

(vii) all other non-cash losses, expenses and charges of the Parent and its Subsidiaries for such period, (excluding (x) the write down of current assets and (y) any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period),

(viii) any non-cash compensation expense, including expenses recorded from grants of stock appreciation or similar rights, stock options, restricted stock or other rights to officers, directors or employees, and in connection with options, restricted stock, restricted stock units or other equity level awards under any HBI incentive plan,

(ix) any losses attributable to sales of assets out of the ordinary course of business,

(x) any net after tax losses on disposal of discontinued operations, and

(xi) any net noncash unrealized loss resulting in such period from hedging obligations incurred in the ordinary course of business and made in accordance with ASC No. 815—*Derivatives and Hedging*; *minus*

(b) without duplication

(i) consolidated income tax benefit for such period,

(ii) any gains attributable to sales of assets out of the ordinary course of business,

(iii) any net after tax gains on disposal of discontinued operations, and

(iv) any net noncash unrealized gain resulting in such period from hedging obligations incurred in the ordinary course of business and made in accordance with ASC No. 815—*Derivatives and Hedging*.

"*Equity Offering*" means any primary offering of Capital Stock of the Parent (other than Disqualified Stock) to Persons who are not Subsidiaries of the Parent other than (1) public offerings with respect to the Parent's Common Stock registered on Form S-8 and (2) issuances upon exercise of options by employees of the Parent or any of its Subsidiaries.

"*Euroclear*" means Euroclear Bank SA/NV, or any successor securities clearing agency.

"*European Government Obligations*" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union whose long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another internationally recognized rating agency on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Funded Debt*" means all Debt having a maturity of more than 12 months from the date as of which the determination is made or having a maturity of 12 months or less but by its terms being renewable or extendable beyond 12 months from such date at the option of the borrower, excluding any Debt owed to the Parent or its Subsidiaries.

"*GAAP*" means generally accepted accounting principles in the United States of America as in effect as of the Issue Date, including those set forth in:

(1) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants;

(2) statements and pronouncements of the Financial Accounting Standards Board; and

(3) such other statements by such other entity as approved by a significant segment of the accounting profession.

Except as otherwise provided herein, all ratios and computations based on GAAP contained in the Indenture shall be computed in conformity with GAAP.

"*Guarantee*" means a guarantee by a Guarantor of the Issuer's obligations with respect to the Notes.

"*Guarantor*" means the Parent and each Subsidiary of the Parent that executes the Indenture as a guarantor on the Issue Date and each other Subsidiary of the Parent that thereafter executes a supplemental indenture providing its Guarantee pursuant to the terms of the Indenture. Notwithstanding anything herein to the contrary, the Parent's Subsidiaries incorporated in El Salvador and Honduras, HBI Playtex BATH LLC and HBI Receivables LLC shall not provide Guarantees.

"*holder*" or "*noteholder*" means the Person in whose name a Note is registered in the register of registered notes or, if the Notes are delivered in the form of book-entry rights, the Person who is holding the book-entry right.

"*Issue Date*" means            , 2016.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof). For the avoidance of doubt, the grant by any Person of a non-exclusive license to use intellectual property owned by, licensed to, or developed by such Person and such license activity shall not constitute a grant by such Person of a Lien on such intellectual property.

"*Material Capital Markets Debt*" means any Debt consisting of bonds, debentures, notes or other similar debt securities issued in (a) a public offering registered under the Securities Act, (b) a private placement to institutional investors that is resold in accordance with Rule 144A or Regulation S of the Securities Act, or (c) a placement to institutional investors, in each case in aggregate principal amount of $100.0 million or more. The term "Material Capital Markets Debt" shall not include any Debt under commercial bank facilities or similar Debt or any other type of Debt incurred in a manner not customarily viewed as a "securities offering."

"*Moody's*" means Moody's Investors Services, Inc. or any successor to its rating agency business.

"*Officer*" means the chairman of the Board of Directors, the chief executive officer, the president, the chief financial officer, any executive vice president, senior vice president or vice president, the treasurer or any assistant treasurer or the secretary or any assistant secretary of the Parent.

"*Officer's Certificate*" means a certificate signed on behalf of the Parent by an Officer of the Parent.

"*Opinion of Counsel*" means a written opinion signed by legal counsel, who may be an employee of or counsel to the Issuer, or other counsel reasonably satisfactory to the Trustee.

"*Pacific Brands*" means Pacific Brands Limited.

"*Permitted Factoring Program*" means any and all agreements or facilities entered into by the Parent or any Subsidiary for the purpose of factoring its receivables or payables for cash consideration.

"*Permitted Liens"* means:

(1) Liens in connection with a Permitted Securitization or Permitted Factoring Program, including Liens on Receivables transferred to a Receivables Subsidiary under a Permitted Securitization or a Permitted Factoring Program;

(2) Liens on (A) incurred premiums, dividends and rebates which may become payable under insurance policies and loss payments which reduce the incurred premiums on such insurance policies and (B) rights which may arise under state insurance guarantee funds relating to any such insurance policy, in each case securing the financing of insurance premiums;

(3) Liens securing indebtedness issued by the Parent or any of its Subsidiaries incurred in connection with the financing of the Parent's acquisitions of (i) Champion Europe and (ii) Pacific Brands, in each case not exceeding the respective purchase price of such acquisition, plus a Debt Facility to provide working capital funding for Pacific Brands put in place on or about the acquisition date of Pacific Brands (but not any extension or upsizing thereof);

(4) Liens imposed by law, such as carriers', warehousemen's and mechanic's Liens and other similar Liens arising in the ordinary course of business, Liens in connection with legal proceedings and Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution;

(5) Liens incurred or deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of tenders, statutory obligations, bids, leases, trade contracts or other similar obligations (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on surety and appeal bonds or performance bonds performance and completion guarantee and other obligations of a like nature (including those to secure health, safety and environmental obligations) incurred in the ordinary course of business; and (ii) obligations in respect of letters of credit or bank guarantees that have been posted to support payment of the items set forth in the immediately preceding clause (i);

(6) judgment Liens that are being appealed in good faith or with respect to which execution has been stayed or the payment of which is covered in full (subject to a customary deductible) by insurance maintained with responsible insurance companies and which do not otherwise result in an Event of Default;

(7) easements, rights-of-way covenants, conditions, building codes, restrictions, reservations, minor defects or irregularities in title and other similar encumbrances and matters that would be disavowed by a full survey of real property not interfering in any material respect with the value or use of the affected or encumbered real property to which such Lien is attached;

(8) (i) licenses, sublicenses, leases or subleases granted to third Persons in the ordinary course of business not interfering in any material respect with the business of the Parent or any Subsidiary, (ii) other agreements with respect to the use and occupancy of real property entered into in the ordinary course of business or in connection with a sale of assets or (iii) the rights reserved or vested in any Person by the terms of any lease, license, franchise, grant or permit held by the Parent or any Subsidiary or by a statutory provision, to terminate any such lease, license, franchise, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;

(9) Liens on the Property of the Parent or any Subsidiary securing (i) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases, licenses and statutory obligations, (ii) contingent liabilities on surety and appeal bonds and (iii) other non-delinquent obligations of a like nature; in each case, incurred in the ordinary course of business;

(10) Liens upon specific items or inventory or other goods and proceeds of the Parent or any Subsidiary securing such Person's obligations in respect of bankers' acceptances or documentary letters of credit issued or created for the account of such Person to facilitate the shipment or storage of such inventory or other goods in the ordinary course;

(11) Liens (i) (A) on advances of cash or cash equivalents in favor of the seller of any property to be acquired to be applied against the purchase price property and (B) consisting of an agreement involving a sale of assets, in each case under this clause (i), solely to the extent such acquisition of property or asset sale, as the case may be, would have been permitted on the date of the creation of such Lien and (ii) on earnest money deposits of cash or cash equivalents made by the Parent or any Subsidiary in connection with any letter of intent or purchase agreement permitted hereunder;

(12) Liens arising from precautionary Uniform Commercial Code financing statement filings (or similar filings under other applicable Law);

(13) Liens (i) arising out of conditional sale, title retention, consignment or similar arrangements for sale of goods (including under Article 2 of the UCC) and Liens that are contractual rights of set-off relating to purchase orders and other similar agreements entered into by the Parent or any Subsidiary and (ii) relating to the establishment of depository relations with banks not given in connection with the issuance of Debt and (iii) relating to pooled deposit or sweep accounts of the Parent or any Subsidiary to permit satisfaction of overdraft or similar obligations in each case in the ordinary course of business;

(14) ground leases in respect of real property on which facilities owned or leased by the Parent or any Subsidiary are located or any Liens senior to any lease, sub-lease or other agreement under which the Parent or any Subsidiary uses or occupies any real property;

(15) Liens constituting security given to a public or private utility or any governmental authority as required in the ordinary course of business;

(16) pledges or deposits of cash and cash equivalents securing deductibles, self-insurance, co-payment, co-insurance, retentions and similar obligations to providers of insurance in the ordinary course of business; and

(17) Liens for taxes not at the time delinquent or thereafter payable without penalty or being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been established with respect thereto.

"*Permitted Securitization*" means any sale, transfer or other disposition by the Parent or any Subsidiary of Receivables and related collateral, credit support and similar rights and any other assets that are customarily transferred in a securitization of receivables, pursuant to one or more securitization programs, to a Receivables Subsidiary or a Person who is not an Affiliate of the Parent; *provided* that (i) the consideration to be received by the Parent and its Subsidiaries other than a Receivables Subsidiary for any such disposition consists of cash, a promissory note or a customary contingent right to receive cash in the nature of a "hold-back" or similar contingent right, (ii) no Default shall have occurred and be continuing or would result therefrom and (iii) the aggregate outstanding balance of the Indebtedness in respect of all such programs at any point in time is not in excess of $750.0 million.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"*principal*" of a Note means the principal of such Note plus the premium, if any, payable on such Note which is due or overdue or is to become due at the relevant time.

"*Property*" means any property or asset, whether real, personal or mixed, including current assets, but excluding deposit or other control accounts, owned on the Issue Date or thereafter acquired by the Parent or any Subsidiary of the Parent.

"*Rating Agencies*" mean S&P and Moody's.

"*Rating Category*" means:

(1) with respect to S&P, any of the following categories: AAA, AA, A, BBB, BB, B, CCC, CC, C and D (or equivalent successor categories); and

(2) with respect to Moody's, any of the following categories: Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C and D (or equivalent successor categories).

"*Rating Event*" means a decrease in the rating of the Notes by either of Moody's or S&P by one or more gradations (including gradations within Rating Categories as well as between Rating Categories) on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies); provided that a Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Rating Event for purposes of the definition of Change of Control Triggering Event hereunder) if the Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm or inform the Parent that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Rating Event). In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories, namely + or - for S&P, and 1, 2, and 3 for Moody's, will be taken into account; for example, in the case of S&P, a rating decline either from BB+ to BB or BB- to B+ will constitute a decrease of one gradation.

"*Receivable*" shall mean a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit and shall include, in any event, any items of property that would be classified as an "account," "chattel paper," "payment intangible" or "instrument" under the UCC and any supporting obligations.

"*Receivables Facility*" means the Parent's $275 million revolving receivables financing facility pursuant to our Receivables Purchase Agreement, dated November 27, 2007, with the various financial institutions and other persons from time to time party thereto as committed purchasers, conduit purchasers and managing agents and HSBC Securities (USA) Inc., as agent, together with all related notes, performance undertakings, assignments and any other related agreements and instruments executed and delivered in connection therewith, in each case as amended, modified, supplemented, restated, refinanced, refunded or replaced in whole or in part from time to time including by or pursuant to any agreement or instrument that exchanges, extends, refinances, renews, replaces, substitutes or otherwise restructures the maturity of any indebtedness thereunder, or increases the amount of available borrowings thereunder, or adds additional parties thereunder, in each case with respect to such agreement or any successor or replacement agreement and whether by the same or any other agent, purchaser, group of purchasers, purchasers or institutional investors.

"*Receivables Subsidiary*" shall mean any wholly-owned Subsidiary of the Parent (or another Person in which the Parent or any Subsidiary makes an investment and to which the Parent or one or more of Subsidiaries transfer Receivables and related assets) which engages in no activities other than in connection with the financing of Receivables and which is designated by the Board of Directors of the applicable Subsidiary (as provided below) as a Receivables Subsidiary and which meets the following conditions:

(1) no portion of the Debt or any other obligations (contingent or otherwise) of such Subsidiary:

   (i) is guaranteed by the Parent or any Subsidiary (that is not a Receivables Subsidiary);

   (ii) is recourse to or obligates the Parent or any Subsidiary (that is not a Receivables Subsidiary); or

   (iii) subjects any property or assets of the Parent or any Subsidiary (that is not a Receivables Subsidiary), directly or indirectly, contingently or otherwise, to the satisfaction thereof;

(2) with which neither the Parent nor any Subsidiary (that is not a Receivables Subsidiary) has any material contract, agreement, arrangement or understanding (other than Standard Securitization Undertakings); and

(3) to which neither the Parent nor any Subsidiary (that is not a Receivables Subsidiary) has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the applicable Subsidiary shall be evidenced by a certified copy of the resolution of the Board of Directors of such Subsidiary giving effect to such designation and an officer's certificate certifying, to the best of such officer's knowledge and belief, that such designation complies with the foregoing conditions.

"*Refinance*" means, in respect of any Debt, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue other Debt in exchange or replacement for, such Debt. "Refinanced" and "Refinancing" shall have correlative meanings.

"*S&P*" means Standard & Poor's Ratings Services or any successor to its rating agency business.

"*Sale/Leaseback Transaction*" means an arrangement relating to a Property owned by the Parent or a Subsidiary of the Parent on the Issue Date or thereafter acquired by the Parent or a Subsidiary of the Parent whereby the Parent or a Subsidiary of the Parent transfers such property to a Person and the Parent or the Subsidiary of the Parent leases it from such Person.

"*SEC*" means the Securities and Exchange Commission, and the rules and regulations of the SEC promulgated thereunder.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Senior Secured Credit Facility*" means the Parent's $1.0 billion revolving loan facility, $725 million Term Loan A facility, a $425 million Term Loan B Facility and €363 million Term Loan B facility pursuant to our Third Amended and Restated Credit Agreement, dated as of April 29, 2015, with the various financial institutions and other persons from time to time party to thereto 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, together with all related notes, letters of credit, guarantees and any other related agreements and instruments executed and delivered in connection therewith, in each case as amended, modified, supplemented, restated, refinanced, refunded or replaced in whole or in part from time to time including by or pursuant to any agreement or instrument that exchanges, extends, refinances, renews, replaces, substitutes or otherwise restructures the maturity of any indebtedness thereunder, or increases the amount of available borrowings thereunder, or adds Subsidiaries as additional borrowers or guarantors thereunder, in each case with respect to such agreement or any successor or replacement agreement and whether by the same or any other agent, lender, group of lenders, purchasers, institutional investors or debt holders.

"*Significant Subsidiary*" means any Subsidiary of the Parent that would be a "significant subsidiary" of the Parent within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"*Stated Maturity*," when used with respect to (i) any Note or any installment of interest thereon, means the date specified in such Note as the fixed date on which the principal amount of such note or such installment of interest is due and payable and (ii) any other indebtedness or any installment of interest thereon, means the date specified in the instrument governing such indebtedness as the fixed date on which the principal of such indebtedness or such installment of interest is due and payable.

"*Standard Securitization Undertakings*" shall mean representations, warranties, covenants and indemnities entered into by the Parent or any Subsidiary which are reasonably customary in a securitization of Receivables.

"*Subsidiary*" means, with respect to any Person, any corporation, association, partnership, limited liability company or other business entity of which more than 50% of the total voting power of shares of Voting Stock is at the time owned or controlled, directly or indirectly, by:

(1) such Person;

(2) such Person and one or more Subsidiaries of such Person; or

(3) one or more Subsidiaries of such Person.

Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Parent, including the Issuer.

"*Subsidiary Guarantor*" means any Guarantor that is a Subsidiary of the Parent.

"*Uniform Commercial Code*" or "*UCC*" means the Uniform Commercial Code as in effect from time to time in any applicable jurisdiction.

"*Voting Stock*" of a Person means all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or the controlling managing member or general partner, as applicable).

## Book-Entry Settlement and Clearance

The notes sold to persons reasonably believed to be qualified institutional buyers (each, a "QIB") in reliance on Rule 144A will be represented by one or more global notes in registered form without coupons attached (the "Rule 144A Global Notes"). The notes sold to persons outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") will initially be represented by one or more temporary global notes in registered form without interest coupons attached (the "Temporary Regulation S Global Notes"). Temporary Regulation S Global Notes will be exchangeable for permanent global notes (the "Permanent Regulation S Global Notes" and, together with the Temporary Regulation S Global Notes, the "Regulation S Global Notes") after the expiration of the Restricted Period (as described below). The Rule 144A Global Notes and the Regulation S Global Notes are collectively referred to as the "Global Notes." The Global Notes will be deposited with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the "Restricted Period"), beneficial interests in the Temporary Regulation S Global Notes may not be transferred to beneficial interests in another Global Notes, unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below.

Ownership of interests in the Rule 144A Global Notes (the "Rule 144A Book-Entry Interests") and in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the Rule 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be held in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to won, transfer, or pledge Book-Entry Interests. In addition, while the notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of the notes for any purpose.

So long as the notes are held in global form, Euroclear and/or Clearstream, as applicable (or their respective nominees), will be considered the sole holders of the Global Notes for all purposes under the indenture that will govern the notes. In addition, participants must rely on the procedures of Euroclear and/or Clearstream, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights f holders under the indenture that will govern the notes.

None of the Issuer, the guarantors, the registrar, the transfer agent, the trustee or any of their respective agents will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

### Payments on Global Notes

The issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, and interest) to the common depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, levies, assessments or governmental charges of whatever nature, except as may be required by law. If any such deduction or withholding is required to be made, then, to the extent described under "Description of Notes—Withholding Taxes," we will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Notes or Book-Entry Interests, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the indenture that will govern the notes, the Issuer, the trustee, the paying agents, registrars and transfer agents (collectively, the "Agents") will treat the registered holder of the Global Notes (e.g., Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the trustee, the Agents or any of their respective agents has or will have any responsibility or liability for any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interests or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account to, a Book-Entry Interests, or Euroclear, Clearstream or any participant or indirect participant.

**Currency of Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such notes through Euroclear or Clearstream, as applicable, in euros.

**Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account the Book-Entry Interests are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the indenture that will govern the notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes under the indenture that will govern the notes for definitive registered notes in certificated form (the "Definitive Registered Notes") and to distribute Definitive Registered Notes to its participants.

**Transfers**

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder of notes requires physical delivery of Definitive Registered Notes for any reason, including to sell notes to persons in jurisdictions that require physical delivery of securities or to pledge such notes, such holder of notes must transfer its interests in the Global Notes in accordance with the procedures set forth in the indenture governing the notes.

The Global Notes for Rule 144A Book-Entry Interests will have a legend to the effect set forth in "Transfer Restrictions." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer and certification requirements discussed in "Transfer Restrictions."

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by transferor of a written certification (in the form provided in the indenture that will govern the notes) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act or any other exemption (if available under the Securities Act).

Prior to the expiration of any Restricted Period, beneficial interests in the Temporary Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Notes only if:

- such exchange occurs in connection with a transfer of notes pursuant to Rule 144A; and
- the transferor first deliver to the trustee a written certificate (in the form provided in the indenture that will govern the notes) to the effect that the notes are being transferred to a person:
  - whom the transferor reasonably believes to be a QIB within the meaning of Rule 144A; and
  - who is purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A; and
- in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Notes and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

**Notices**

So long as the Global Notes are held on behalf of a clearing system, notices required to be given to holders of the notes may be given by their being delivered to that clearing system to be given to the holders of the notes on the date of delivery to such clearing system. All notices shall also, for so long as the notes are listed and traded on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, be published in a leading newspaper having general circulation in Luxembourg and/or on the website of the Luxembourg Stock Exchange (www.bourse.lu).

**Information Concerning Euroclear and Clearstream**

Our understanding with respect to the organization and operations of Euroclear and Clearstream is as follows. Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

## Transfer Restrictions

The notes are subject to restrictions on transfer as summarized below. By purchasing notes, you will be deemed to have made the following acknowledgements, representations to and agreements with us and the initial purchasers:

(1) You acknowledge that:

- the notes have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
- unless so registered, the notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 5 below.

(2) You acknowledge that this offering memorandum relates to an offering that is exempt from registration under the Securities Act and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.

(3) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that either:

- you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are purchasing notes for your own account or for the account of another qualified institutional buyer, and you are aware that the initial purchasers are selling the notes to you in reliance on Rule 144A; or
- you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing notes in an offshore transaction in accordance with Regulation S.

(4) You acknowledge that neither we nor the initial purchasers nor any person representing us or the initial purchasers have made any representation to you with respect to us or the offering of the notes, other than the information contained in this offering memorandum. Accordingly, you acknowledge that no representation or warranty is made by the initial purchasers as to the accuracy or completeness of such materials. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the notes. You agree that you have had access to such financial and other information concerning us and the notes as you have deemed necessary in connection with your decision to purchase notes, including an opportunity to ask questions of and request information from us.

(5) You represent that you are purchasing notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing notes, and each subsequent holder of the notes by its acceptance of the notes will agree, that until the end of the Resale Restriction Period (as defined below), the notes may be offered, sold or otherwise transferred only:

(a) to us or any of our subsidiaries;

(b) under a registration statement that has been declared effective under the Securities Act;

(c) for so long as the notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(d) through offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the Securities Act;

(e) to an institutional accredited investor (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that is not a qualified institutional buyer and that is purchasing for its own account or for the account of another institutional accredited investor, in each case in a minimum principal amount of notes of $250,000; or

(f) under any other available exemption from the registration requirements of the Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and to compliance with any applicable state securities laws.

You also acknowledge that to the extent that you hold the notes through an interest in a global note, the Resale Restriction Period may continue until one year after the Issuer, or any affiliate of the Issuer, was the owner of such note or an interest in such global note, and so may continue indefinitely.

(6) You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A notes) after the later of the closing date, the closing date of the issuance of any additional notes and the last date that we or any of our affiliates was the owner of the notes or any predecessor of the notes or 40 days (in the case of Regulation S notes) after the later of the closing date, the closing date of the issuance of any additional notes and when the notes or any predecessor of the notes are first offered to persons other than distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends;
- if a holder of notes proposes to resell or transfer notes under clause (e) above before the applicable Resale Restriction Period ends, the seller must deliver to us and the trustee a letter from the purchaser in the form set forth in the indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the notes not for distribution in violation of the Securities Act;
- we and the trustee reserve the right to require in connection with any offer, sale or other transfer of notes under clauses (d), (e) and (f) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee; and
- each note will contain a legend substantially to the following effect:

  THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY

PREDECESSOR OF SUCH SECURITY),] [IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S], ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF $250,000 OF SECURITIES OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. [IN THE CASE OF REGULATION S NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.]

BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED, IN ITS CORPORATE AND FIDUCIARY CAPACITY, THAT EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE OR HOLD THIS SECURITY CONSTITUTES THE ASSETS OF (X) AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (Y) A PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR PROHIBITED TRANSACTION PROVISIONS OF ERISA AND/OR THE CODE (COLLECTIVELY, "SIMILAR LAWS") OR (Z) AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE THE ASSETS OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT DESCRIBED IN CLAUSE (X) OR (Y) ABOVE PURSUANT TO ERISA OR OTHERWISE, OR (2) ITS ACQUISITION, HOLDING AND SUBSEQUENT DISPOSITION OF THIS SECURITY WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE AND IS NOT PROHIBITED UNDER ANY APPLICABLE SIMILAR LAWS.

(7) You represent and warrant that either (i) no portion of the assets used by you to acquire or hold the notes constitute the assets of (x) an employee benefit plan that is subject to Title I of ERISA, (y) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the Code or Similar Law, or (z) an

entity whose underlying assets are considered to include the assets of any such plan, account or arrangement described in clauses (x) and (y) pursuant to ERISA or otherwise or (ii) your acquisition, holding and subsequent disposition of the notes will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code and is not prohibited under any applicable Similar Laws.

You acknowledge that we, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of notes is no longer accurate, you will promptly notify us and the initial purchasers. If you are purchasing any notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

## Certain Tax Considerations

### Certain United States Federal Income Tax Considerations

***This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the notes. Prospective investors should seek their own advice based on their particular circumstances from an independent tax adviser.***

The following discussion summarizes certain U.S. federal income tax consequences of owning and disposing of notes purchased in this offering at the "issue price," which we assume will be the price indicated on the cover of this offering memorandum, and held as capital assets for U.S. federal income tax purposes. This discussion is limited to consequences relevant to U.S. Holders (as defined below).

You are a U.S. Holder if for U.S. federal income tax purposes you are a beneficial owner of a note and are:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, as well as differing tax consequences that may apply if you are, for instance:

- a financial institution;
- an insurance company;
- a regulated investment company;
- a dealer or trader in securities that uses a mark-to-market method of accounting;
- holding notes as part of a hedge, "straddle" or other integrated transaction;
- an individual or entity whose functional currency is not the U.S. dollar;
- a tax-exempt entity; or
- a partnership for U.S. federal income tax purposes.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of your partners will generally depend on the status of the partners and your activities.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein. This summary does not address any aspect of state, local or non-U.S. taxation, or any taxes other than income taxes. You should consult your tax adviser with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

### *Certain Additional Payments*

There are circumstances in which we might be required to make payments on a note that would increase the yield of the note, for instance, as described under "Description of Notes—Withholding Taxes." We intend to take the position that the possibility of such payments does not result in the notes being treated as contingent payment debt instruments under the applicable Treasury Regulations. Our position is not binding on the IRS. If the IRS takes a contrary position, you may be required to accrue interest income based upon a "comparable yield" (as defined in the Treasury Regulations) determined at the time of issuance of the notes (which is not expected to differ significantly from the actual yield on the notes), with adjustments to such accruals when any contingent payments are made that differ from the payments based on the comparable yield. In addition, any gain on the sale, exchange, retirement or other taxable disposition of the notes generally would be treated as interest income rather than as capital gain. You should consult your tax adviser regarding the tax consequences if the notes were treated as contingent payment debt instruments. The remainder of this discussion assumes that the notes are not treated as contingent payment debt instruments.

### *Payments of Interest*

Stated interest on a note (including any tax withheld on payments of stated interest and any Additional Amounts paid with respect thereto) will be taxable to you as ordinary interest income at the time it accrues or is received, in accordance with your method of accounting for U.S. federal income tax purposes. It is expected, and this discussion assumes, that the notes will be issued without original issue discount for U.S. federal income tax purposes.

Subject to the discussion of exchange gain or loss below, interest income on a note will constitute foreign source income and will generally constitute "passive category income" for U.S. foreign tax credit purposes. You may be entitled to deduct or credit any non-U.S. withholding tax imposed on payments of interest, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your applicable foreign taxes for a particular tax year). Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the notes.

A cash basis U.S. Holder that receives an interest payment denominated in euro will be required to include in income the U.S. dollar value of the euro interest payment based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. A cash basis U.S. Holder generally will not have exchange gain or loss on the receipt of the interest payment but may have exchange gain or loss when the holder disposes of any euro such holder receives (as discussed below under "—Certain United States Federal Income Tax Considerations—Exchange of Foreign Currencies").

In general, an accrual basis U.S. Holder may determine the amount of interest income accrued on the notes in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years, the part of the period within the taxable year). Under the second method, an accrual basis U.S. Holder may elect to determine the amount of income accrued based on the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Alternatively, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate on the date of actual receipt. Any such election will apply to all debt instruments held by the electing U.S. Holder and will be irrevocable without the consent of the IRS.

Upon an accrual basis U.S. Holder's receipt of an interest payment denominated in euro (including, upon the sale or other taxable disposition of a note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), the U.S. Holder may recognize U.S. source exchange gain or loss (taxable as U.S. source ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the exchange rate on the date of receipt) and the amount previously accrued (translated into U.S. dollars as described above), regardless of whether the payment is in fact converted into U.S. dollars.

### *Sale or Other Taxable Disposition of the Notes*

Upon the sale or other taxable disposition of a note, you will recognize taxable gain or loss equal to the difference between the amount realized on the sale or other taxable disposition (excluding any amount attributable to accrued interest, which is treated as described under "—Certain United States Federal Income Tax Considerations—Payments of Interest") and your adjusted tax basis in the note.

The amount realized by a U.S. Holder is the sum of cash plus the fair market value of all other property received on the sale or other taxable disposition. If a U.S. Holder receives foreign currency on a sale or other taxable disposition of a note, the amount realized will be translated into U.S. dollars based on the exchange rate on the date of disposition. If the notes are traded on an established securities market, a cash basis U.S. Holder and an electing accrual basis U.S. Holder will determine the U.S. dollar value of such foreign currency based on the exchange rate in effect on the settlement date of the disposition. If an accrual basis U.S. Holder makes this election, the election must be applied consistently by such holder from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder's adjusted tax basis in a note generally will be its cost for the note. The cost of a note purchased with euro generally will be the U.S. dollar value of the purchase price determined based on the exchange rate on the date of purchase.

A U.S. Holder will recognize exchange gain or loss (taxable as U.S. source ordinary income or loss) on the sale or other taxable disposition of a note equal to the difference, if any, between the U.S. dollar value of the U.S. Holder's purchase price of the note on (i) the date of sale or other taxable disposition and (ii) the date on which the U.S. Holder acquired the note (or, with respect to (i), if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the notes are treated as being traded on an "established securities market" for this purpose, the settlement date). Any such exchange gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realized only to the extent of the total gain or loss realized on the sale or other taxable disposition by the U.S. Holder. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or other taxable disposition of notes.

Gain or loss in excess of exchange gain or loss a U.S. Holder recognizes on the sale, exchange, redemption or other taxable disposition of the notes generally will be U.S. source capital gain or loss. Such gain or loss generally will be long-term capital gain or loss if a U.S. Holder has held the notes for more than one year. For non-corporate U.S. Holders, long-term capital gains are taxed at a lower rate than ordinary income. The deductibility of capital losses is subject to limitations. A U.S. Holder should consult its own tax adviser regarding the deductibility of capital losses in its particular circumstances.

### *Exchange of Foreign Currencies*

A U.S. Holder will have a tax basis in any euro received as stated interest or any foreign currency received upon the sale or other taxable disposition of a note equal to the U.S. dollar value based on the exchange rate in effect on the date of receipt of such euro or other foreign currency. Any gain or loss realized by a U.S. Holder on a sale or other taxable disposition of foreign currency, including an exchange of such currency for U.S. dollars, will generally be U.S. source ordinary income or loss (and will generally not be treated as interest income or expense).

### *Backup Withholding and Information Reporting*

In general, a U.S. Holder that is not an "exempt recipient" will be subject to U.S. federal backup withholding at the applicable rate (currently 28%) with respect to payments on the notes and the proceeds of a sale, exchange, redemption or other taxable disposition of the notes, unless the U.S. Holder provides its taxpayer identification number to the applicable withholding agent and certifies, under penalties of perjury, that it is not subject to backup withholding (generally on an IRS Form W-9 (Request for Taxpayer Identification Number and Certification)), and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder may be allowed as a credit against such U.S. Holder's U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided the required information is furnished to the IRS in a timely manner. In addition, payments on the notes made to, and the proceeds of a sale or other taxable disposition of the notes received by, a U.S. Holder that is not an exempt recipient generally will be subject to information reporting requirements.

***Tax Return Disclosure Requirements***

Applicable Treasury Regulations require a U.S. Holder to report certain transactions that give rise to a foreign currency loss in excess of certain thresholds. Under these Treasury Regulations, a U.S. Holder that recognizes a foreign currency loss with respect to the notes would be required to report the loss on IRS Form 8886 (Reportable Transaction Disclosure Statement) if the loss exceeds the thresholds set forth in the Treasury Regulations. Each U.S. Holder should consult its own tax adviser regarding the application of the reportable transaction rules to their purchase, ownership and disposition of the notes.

Individuals that own "specified foreign financial assets" with an aggregate value in excess of $50,000 on the last day of the tax year or more than $75,000 at any time during the tax year (or such larger values as specified in applicable Treasury Regulations), generally are required to file an information report with respect to such assets with their tax returns. The notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the notes are held in an account at a U.S. financial institution.

U.S. Holders are urged to consult their tax advisers regarding the application of the foregoing disclosure requirements to their ownership of the notes, including the significant penalties for non-compliance.

The U.S. federal income tax discussion set forth above may not be applicable depending upon a U.S. Holder's particular situation. Prospective purchasers of the notes should consult their own tax advisers with respect to the tax consequences to them of the acquisition, ownership and disposition of the notes, including the tax consequences under state, local, estate, foreign and other tax laws and tax treaties and the possible effects of changes in U.S. or other tax laws.

**Certain Luxembourg Tax Consequences**

The following summary is of a general nature and is included herein solely for information purposes and does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase or sell the notes. It is based on the laws, regulations and administrative and judicial interpretations presently in force in Luxembourg at the date of this offering memorandum, though it is not intended to be, nor should it be construed to be, legal or tax advice. This summary does not take into account the specific circumstances of particular investors. Prospective investors should consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

*Please be aware that the residence concept used in the sub-headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers only to Luxembourg tax law and/or concepts. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), a solidarity surcharge (contribution au fonds pour l'emploi), the temporary equalization tax (impôt d'équilibrage budgétaire) as well as personal income tax (impôt sur le revenu). Investors may further be subject to net wealth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are* *generally subject to personal income tax, the solidarity surcharge and the temporary equalization tax. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.*

A noteholder will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the notes, or the execution, performance, delivery and/or enforcement of the notes.

***Withholding Tax***

*Non-resident Noteholders*

Under the Luxembourg tax law currently in effect, there is no withholding tax ("WHT") on payments of interest (including accrued but unpaid interest) made to a Luxembourg non-resident noteholder. There is also no Luxembourg WHT upon repayment of the principal, premium, sale, refund, redemption or repurchase of the notes.

*Resident Noteholders*

Under the Luxembourg law dated December 23, 2015 as amended (the "Law"), a 10% WHT is levied as of January 1, 2006 on interest or similar income payments (accrued since July 1, 2005) made by Luxembourg paying agents to Luxembourg individual residents or for the immediate benefit of an individual beneficial owner who is resident in Luxembourg. This WHT also applies on accrued interest received upon disposal, redemption or repurchase of the notes. Such WHT will be in full discharge of income tax if the beneficial owner is an individual acting in the course of management of his/her private wealth. Responsibility for the withholding of tax in application of the Law is assumed by the Luxembourg paying agent within the meaning of the Law.

***Income Tax***

*Non-resident Noteholders*

Non-resident noteholders, not having a permanent establishment or, a permanent representative, to which or whom the notes or income therefrom are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts under the notes. A gain realized by such non-resident noteholders on the sale or disposal, in any form whatsoever, of the notes is further not subject to Luxembourg income tax.

Non-resident corporate noteholders or individual noteholders acting in the course of managing a professional or business undertaking who have a permanent establishment or a permanent representative in Luxembourg to which or whom the notes or income therefrom are attributable are subject to Luxembourg income tax on interest accrued or received, redemption premiums and issue discounts from the notes and on any gains realized upon the sale or disposal, in any form whatsoever, of the notes.

*Resident Noteholders*

*Individuals.* A resident noteholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts, under the notes. A gain realized by an individual noteholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of notes is not subject to Luxembourg income tax, provided this sale or disposal takes place more than six months after the notes were acquired. An individual noteholder who acts in the course of the management of his/her private wealth and who is a resident of Luxembourg for tax purposes, must also include the portion of the gain corresponding to accrued but unpaid income in respect of the notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement.

A resident individual acting in the course of the management of a professional or business undertaking to which the notes are attributable must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the notes, in its taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the notes sold or redeemed.

*Corporation.* A resident corporate noteholder subject to income taxation must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the notes, in its taxable income for Luxembourg income tax assessment purposes.

*Luxembourg noteholders benefiting from a special tax regime.* Luxembourg noteholders subject to certain special tax regimes such as, for example, (1) specialized investment funds governed by the law of February 13, 2007 (as amended), (2) family wealth management companies governed by the law of May 11, 2007 (as amended) or (3) undertakings for collective investment governed by the amended law of December 17, 2010 (as amended) are exempt from Luxembourg income taxes. Interest accrued or received, any redemption premium or issue discount and gains realized on the sale or disposal, in any form whatsoever, of the notes by such noteholders are not subject to income tax. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the notes sold or redeemed.

***Net Wealth Taxation***

A Luxembourg resident noteholder, as well as a non-resident noteholder, who has a permanent establishment or a permanent representative in Luxembourg to which or whom the notes are attributable, is subject to Luxembourg net wealth tax on such Notes, except if the noteholder is (i) a resident or non-resident individual, (ii) an undertaking for collective investment subject to the law of December 17, 2010 (as amended), (iii) a specialised investment fund governed by the amended law of February 13, 2007, or (iv) a family wealth management company governed by the amended law of May 11, 2007.

A Luxembourg resident securitization company governed by the amended law of March 22, 2004 on securitization and a Luxembourg resident company governed by the amended law of June 15, 2004 on venture capital vehicles should include the market value of such notes into the determination of their minimum net wealth tax charge according to the amended law of October 16, 1934 on net wealth tax.

***Value Added Tax***

There is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the notes or in respect of the payment of interest or principal under the notes or a transfer of the notes.

***Other Taxes***

Neither the issuance nor the transfer of notes will give rise to any Luxembourg stamp duty, issuance tax, registration tax, transfer tax or similar taxes or duties unless the documents relating to the notes are voluntarily registered in Luxembourg or presented during a court proceeding in Luxembourg. Where a noteholder is a resident of Luxembourg for tax purposes at the time of his/her death, the notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of notes if embodied in a Luxembourg deed or registered in Luxembourg.

## Certain ERISA Considerations

The following is a summary of certain considerations associated with the purchase or holding of the notes by or with the assets of an employee benefit plan that is subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), a plan, individual retirement account or other arrangement that is subject to Section 4975 of the Code or any entity whose underlying assets are considered to include "plan assets" under ERISA (each, a "Plan"). This section also may be relevant to any person that proposes to purchase or hold the notes with the assets of employee benefit plans that are governmental plans, as defined in Section 3(32) of ERISA, church plans, as defined in Section 3(33) of ERISA, and foreign plans, as described in Section 4(b)(4) of ERISA which may be subject to federal, state, local, non-U.S. or other laws or regulations which are substantially similar to the fiduciary responsibility or prohibited transaction provisions of Section 406 of ERISA and/or Section 4975 of the Code (collectively, "Similar Laws") (each, a "Non-ERISA Arrangement").

### General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan and prohibit a Plan from engaging in specified transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Plan. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Plan or the management or disposition of the assets of such a Plan, or who renders investment advice for a fee or other compensation to such a Plan, is generally considered to be a fiduciary of the Plan.

Any Plan fiduciary that proposes to cause a Plan to purchase the notes should consult with its counsel regarding the potential applicability of the fiduciary responsibility and prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a nonexempt prohibited transaction or any other violation of an applicable requirement of ERISA or whether an exemption would be applicable to any such purchase of notes. In considering an investment in the notes by or with the assets of a Plan or Non-ERISA Arrangement, the applicable fiduciary should determine whether the investment is in accordance with the documents and instruments governing the plan or arrangement and the applicable provisions of ERISA, the Code or any other Similar Laws relating to a fiduciary's duties to the Plan or Non-ERISA Arrangement including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code or applicable Similar Laws.

### Prohibited Transaction Exemptions

Section 406 of ERISA and Section 4975 of the Code prohibit Plans from engaging in specified transactions involving "plan assets" with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction with respect to a Plan may be subject to excise taxes and other penalties and liabilities under ERISA and the Code; in addition, the fiduciary of a Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and/or the Code.

The fiduciary of a Plan that proposes to purchase or hold any notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit between such Plan and a "party in interest" under ERISA or a "disqualified person" under the Code with respect to such Plan, (ii) the sale or exchange of any property between such Plan and a party in interest or a disqualified person with respect to such Plan, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person with respect to such Plan, of such Plan's assets. Such parties in interest or disqualified persons could include, without limitation, the Issuer, the initial purchasers or the guarantors. Thus, there is a risk that the acquisition, holding and/or disposition of the notes by a Plan could constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code and therefore could result under ERISA in a claim against a Plan fiduciary for a breach of fiduciary duty and other liabilities and could result under the Code in an excise tax assessment and other liabilities to the Issuer, the initial purchasers and/or the guarantors, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption, or there is some other basis on which the purchase, holding and disposition of the notes will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code and is not prohibited under applicable Similar Laws.

In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or "PTCEs," that may provide exemptive relief for direct or indirect prohibited transactions resulting from the sale, purchase or holding of the notes. These class exemptions include, without limitation, PTCE 75-1 (for specified transactions involving employee benefit plans and broker dealers, reporting dealers and banks), PTCE 84-14, as amended (for specified transactions effected by independent qualified professional asset managers), PTCE 90-1 (for specified transactions involving insurance company separate accounts), PTCE 91-38, as amended (for specified transactions involving bank collective investment funds), PTCE 95-60, as amended (for specified transactions involving insurance company general accounts), and PTCE 96-23, as amended (for specified transactions effected by in-house asset managers). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code may provide a limited exemption for the purchase and sale of the notes and related lending transactions, provided that neither the Issuer of the notes or nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction. These exemptions do not, however, provide relief from the self-dealing prohibitions under ERISA and the Code. It should also be noted that even if the conditions specified in one or more of these exemptions are met, the scope of relief provided by these exemptions may not necessarily cover all acts that might be construed as prohibited transactions. Therefore, the fiduciary of a Plan that is considering an investment in the notes in reliance on any of these statutory or class exemptions should carefully review such exemption and consult with its counsel to confirm that it is applicable. There can be no, and we do not provide any, assurance that all of the conditions of any such exemptions will be satisfied. We also note that Non-ERISA Arrangements are not subject to the requirements of ERISA or Section 4975 of the Code, but may be subject to Similar Laws that contain fiduciary and prohibited transaction provisions.

Because of the foregoing, the notes may not be purchased or held by any Plan or any Non-ERISA Arrangement unless the purchase, holding and disposition of the notes will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code and is not prohibited under applicable Similar Laws.

**Representation**

Accordingly, by acceptance of any note, each purchaser, holder and subsequent transferee of such note will be deemed to have represented and warranted, in its corporate and fiduciary capacity, that either (i) no portion of the assets used to acquire or hold a note constitutes the assets of a Plan nor a Non-ERISA Arrangement or (ii) its acquisition, holding and subsequent disposition of the note will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code and is not prohibited under any applicable Similar Laws.

Further, by acceptance of any note, each purchaser, holder and subsequent transferee of such note will be deemed to have acknowledge and agreed, in its corporate and fiduciary capacity, that (i) it (or its fiduciary) has made and shall make all investment decisions for it, and it has not relied and shall not rely in any way upon the Company, the subsidiary guarantors, the initial purchasers, the agents or any of their respective affiliates to act as a fiduciary or adviser to it with respect to (A) the design and terms of such note, (B) its investment in such note, or (C) the exercise of, or failure to exercise, any rights it has under or with respect to such note; (ii) the Company, the initial purchasers, the agents and their respective affiliates have acted and will act solely for their own account in connection with all transactions relating to such note; (iii) the interests of the Company, the initial purchasers, the agents and their respective affiliates are adverse to the interests of such purchaser, holder, or subsequent transferee; and (iv) neither the Company, the initial purchasers, the agents nor any of their respective affiliates is a fiduciary or adviser of such purchaser, holder, or subsequent transferee in connection with any such assets, positions or transactions, and any information that the Company, the initial purchasers, the agents or any of their respective affiliates may provide is not intended to be impartial investment advice.

The foregoing discussion is general in nature and is not intended to be all-inclusive nor should it be construed as legal advice. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries of any Plan or Non-ERISA Arrangement, or other persons considering purchasing any note for or on behalf of or with "plan assets" of any Plan or Non-ERISA Arrangement, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the note. The notes are contractual financial instruments. The financial exposure provided by the notes is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of any note. The notes have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of any note.

Purchasers of the notes have the exclusive responsibility for ensuring that their purchase, holding and disposition of the notes complies with the fiduciary responsibility rules of ERISA and does not violate the prohibited transaction rules of ERISA or the Code (or in the case of a Non-ERISA Arrangement, any applicable Similar Laws). The sale of any notes to any Plan or Non-ERISA Arrangement is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plan or Non-ERISA Arrangement or that such investment is appropriate for any such Plan or Non-ERISA Arrangement.

Each fiduciary or other person considering purchasing the notes on behalf of, or with "plan assets" of, any Plan or Non-ERISA Arrangement, should consult with its legal advisor regarding the potential consequences of such investment and whether a prohibited transaction exemption, or similar relief under Similar Laws, is available.

## Plan of Distribution

Subject to the terms and conditions contained in the purchase agreement among us, the subsidiary guarantors and the initial purchasers, we have agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from us, the entire principal amount of the notes.

The obligations of the initial purchasers under the purchase agreement, including their agreement to purchase notes from us, are several and not joint. The purchase agreement provides that the initial purchasers will purchase all of the notes being sold pursuant to the purchase agreement if any of them are purchased.

The initial purchasers initially propose to offer the notes for resale at the applicable issue price that appears on the cover page of this offering memorandum. After the initial offering, the initial purchasers may change the offering price and any other selling terms. The initial purchasers may offer and sell notes through certain of their affiliates.

In the purchase agreement, we have agreed that:

- we will not offer, sell, contract to sell, pledge or otherwise dispose of any of our debt securities (other than the notes) for a period of 60 days after the date of this offering memorandum without the prior consent of Barclays Bank PLC.
- we will indemnify the several initial purchasers against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the initial purchasers may be required to make in respect of those liabilities.

The notes have not been registered under the Securities Act or the securities laws of any other place. In the purchase agreement, each initial purchaser has agreed that:

- the notes may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements.
- during the initial distribution of the notes, it will offer or sell notes only to persons reasonably believed to be qualified institutional buyers in compliance with Rule 144A and outside the United States in compliance with Regulation S.

In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act.

The notes are a new issue of securities and there is currently no established trading market for the notes. We do not intend to apply for a listing of the notes on any securities exchange or an automated dealer quotation system, except that we expect to apply for a listing of the notes on the Official List of the Luxembourg Stock Exchange and for admission to trading of the notes on the Euro MTF Market. There are no assurances that the notes will be listed on the Official List of the Luxembourg Stock Exchange or that they will be admitted to trading on the Euro MTF Market. The Issuer may change the exchange on which the notes are listed in the future without notice. See "Listing and General Information." Accordingly, a liquid market for the notes may not develop. The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and any market making with respect to the notes may be discontinued without notice.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

In connection with the offering of the notes, the initial purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may have the effect of preventing or retarding a decline in the market price of the notes or cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. If the initial purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the initial purchasers and their affiliates have engaged, and may in the future engage, in investment banking, commercial banking and other financial advisory and commercial dealings with us and our affiliates for which they received or will receive customary fees and expenses. In particular, certain of the initial purchasers and/or their affiliates are lenders under our Senior Secured Credit Facilities.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of HBI (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with HBI. The initial purchasers and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. Certain of the initial purchasers are not registered U.S. broker-dealers and therefore will only effect offers or sales of the notes in the United States through affiliates that are registered U.S. broker-dealers.

If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby.

We expect delivery of the notes will be made against payment therefor on or about , 2016, which is the business day following the date of the pricing of the notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to that trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of pricing of the notes or the next succeeding business days will be required, by virtue of the fact that the notes initially will settle in T+ , to specify an alternative settlement cycle at the time of any such trade, to prevent failed settlement and should consult their own advisers.

**Canada**

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the

Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

**Denmark**

This offering memorandum has not been prepared in the context of a public offering of securities in Denmark within the meaning of the Danish Securities Trading Act No. 171 of 17 March 2005, as amended from time to time, or any Executive Orders issued on the basis thereof and has not been and will not be filed with or approved by the Danish Financial Supervisory Authority or any other public authority in Denmark. The offering of the notes pursuant to this offering memorandum will only be made to persons pursuant to one or more of the exemptions set out in Executive Order No. 306 of 28 April 2005 on Prospectuses for Securities Admitted for Listing or Trade on a Regulated Market and on the First Public Offer of Securities exceeding €2,500,000 or Executive Order No. 307 of 28 April 2005 on Prospectuses for the First Public Offer of Certain Securities between €100,000 and €2,500,000, as applicable.

**European Economic Area**

Each initial purchaser, in relation to each Member State of the European Economic Area (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), has not made and will not make an offer of notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representatives nominated by us for any such offer; or
- in any circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall require us or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public," in relation to any notes in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means European Council Directive 2003/71/EC (as amended, including the Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

**France**

This offering memorandum has not been approved by, registered or filed with the *Autorité des Marchés Financiers* (the French financial markets authority) (the "AMF") and does not require a prospectus to be submitted for approval to the AMF. The notes may not be offered or sold, directly or indirectly, to the public in France, and offers and sales of the notes shall only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French Code *monétaire et financier*. This offering memorandum or any other circular, prospectus, form of application, advertisement, communication or other material relating to the notes will not be distributed or caused to be distributed to the public in France other than to those investors (if any) to whom offers and sales of the notes in France may be made, as described above. No re-transfer, directly or indirectly, of the notes in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offering (which are, in particular, embodied in articles L.411-1, L.411-2, L.412-1 and L.621-8 and seq. of the French Code *monétaire et financier*) shall be made.

**Germany**

The offering of the notes is not a public offering in the Federal Republic of Germany. The notes may be offered and sold in the Federal Republic of Germany only in accordance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other applicable German law. Consequently, in Germany, the notes will only be available to, and this offering memorandum and any other offering material in relation to the notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act. Any resale of the notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. The Issuer has not, and does not intend to, file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("BaFin") or obtain a notification to BaFin from another competent authority of a Member State of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17(3) of the German Securities Prospectus Act.

**Ireland**

Each initial purchaser has represented and agreed that no action will be taken with respect to the notes in Ireland otherwise than in conformity with the provisions of (a) the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998, (b) the 2014 Act, the Central Bank Acts 1942 to 2015 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 and (c) the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 1363 of the 2014 Act by the Central Bank of Ireland.

**Netherlands**

In the Netherlands, the notes may only be offered to qualified investors within the meaning of the Act on the Financial Supervision (*Wet op het financieel toezicht*, the "Dutch FSMA"). Each initial purchaser agrees that it has not offered or sold, and will not offer or sell or cause to be offered or sold, directly or indirectly, the notes to the public in the Netherlands and has not distributed or caused to be distributed, and will not distribute or cause to be distributed, to the public in the Netherlands, directly or indirectly, the offering memorandum, or any other offering material relating to the notes, and that such offers, sales and distributions have been and will be made in the Netherlands only to qualified investors as defined in the Dutch FSMA.

**Switzerland**

The offering of the notes is not a public offering in Switzerland. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland.

Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to Article 652a and/or Article 1156 of the Swiss Code of Obligations and this offering memorandum or any other offering or marketing material relating to the notes is not subject to the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The notes will not be listed on the SIX Swiss Exchange Ltd., and, therefore, the documents relating to the notes, including, but not limited to, this offering memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd. and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd.

The notes are being offered in Switzerland by way of a private placement (i.e., to a limited number of selected investors only), without any public advertisement and only to investors who do not purchase the notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This offering memorandum, as well as any other offering or marketing material relating to the notes, is personal and confidential and does not constitute an offer to any other person. This offering memorandum, as well as any other material relating to the notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly or indirectly be distributed or made available to other persons without the Issuer's express consent. This offering memorandum, as well as any other offering or marketing material relating to the notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

## Certain Insolvency Considerations and Limitations on the Validity and Enforceability of the Guarantees

*The following is a summary of certain insolvency law considerations in the jurisdictions in which the Issuer and certain of the guarantors are incorporated or organized, and a summary of certain insolvency limitations and limitations on the validity and enforceability of the guarantees. The following description is only a summary and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the notes and the guarantees. Prospective investors in the notes should consult their own legal advisers with respect to such limitations and considerations.*

### European Union

The Issuer and the guarantors incorporated in France, Ireland, Luxembourg and the Netherlands are incorporated under the laws of member states of the European Union (each such state, a "Member State").

Pursuant to Council Regulation (EC) no. 1346/2000 of May 29, 2000, on insolvency proceedings, as amended (the "EU Insolvency Regulation"), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that a company has its "centre of main interests" in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the EU Insolvency Regulation states that the "centre of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." The courts have taken into consideration a number of factors in determining the "centre of main interests" of a company, including, in particular, where board meetings are held, the location where the company conducts the majority of its business or has its head office, and the location where the large majority of the company's creditors are established. A company's "centre of main interests" may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition.

The EU Insolvency Regulation applies to insolvency proceedings that are collective insolvency proceedings of the types referred to in Annex A to the EU Insolvency Regulation. If the "centre of main interests" of a company is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open territorial insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined to mean a place of operations where the company carries on non-transitory economic activity with human means and goods. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State. Where main proceedings have been opened in the Member State in which the company has its centre of main interests, any proceedings opened subsequently in another Member State in which the company has an establishment (secondary proceedings) are limited to "winding up proceedings" listed in Annex B of the EU Insolvency Regulation. Where main proceedings in the Member State in which the company has its centre of main interests have not yet been opened, territorial insolvency proceedings can be opened in another Member State where the company has an establishment only where either (i) insolvency proceedings cannot be opened in the Member State in which the company's centre of main interests is situated under that Member State's law; or (ii) the territorial insolvency proceedings are opened at the request of a creditor that is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment. Irrespective of whether the insolvency proceedings are main or territorial proceedings, such proceedings will always, subject to certain exemptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court which has assumed jurisdiction for the insolvency proceedings of the debtor.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening the main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The liquidator appointed by a court in a Member State that has jurisdiction to open main proceedings (because the company's centre of main interests is there) may exercise the powers conferred on him or her by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

On May 20, 2015, the European Parliament adopted the regulation of the Council of the European Union amending the EU Insolvency Regulation. The text of the regulation appeared in the Official Journal on 5 June 2015 (OJ L 141/19) and the amended EU Insolvency Regulation (the "Recast Regulation") entered into force on 26 June 2015. The Recast Regulation will only apply (except for certain provisions) to insolvency proceedings opened from the second anniversary of its entry into force (i.e., June 26, 2017). In the interim the provisions of the existing EU Insolvency Regulation shall continue to apply. The Recast Regulation will have direct effect in each EU Member State (except for Denmark) without the need for separate enactment at a national level. Prospective investors should consult their own legal advisers with respect to the potential impact of the Recast Regulation on any investment in this transaction (without limitation to their need to seek legal advice on this transaction more broadly).

**Luxembourg**

***Insolvency Considerations***

The Issuer and certain Guarantors are incorporated under the laws of Luxembourg, and as such any insolvency proceedings applicable to such a company is in principle governed by Luxembourg law. The insolvency laws of Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of insolvency law in Luxembourg. In the event that a Luxembourg company experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

***Insolvency Proceedings***

The Luxembourg District Court, sitting in commercial matters (the "Commercial Court"), should have, in principle, jurisdiction to open main insolvency proceedings with respect to each Luxembourg Obligor, each entity having its registered office and central administration (*administration centrale*) and "centre of main interest" (*centre des intérêts principaux*) ("COMI"), as defined in the EU Insolvency Regulation, in Luxembourg, such proceedings to be governed by Luxembourg insolvency laws. According to the EU Insolvency Regulation, the place of the registered office of a company shall be presumed to be the center of its main interests in the absence of proof to the contrary. As a result, there is a rebuttable presumption that the COMI of each Luxembourg Obligor is located in Luxembourg and consequently that the Commercial Court would have jurisdiction to open "main insolvency proceedings" (as defined in the EU Insolvency Regulation), such proceedings to be governed by Luxembourg law. However, the localization of the COMI (including the COMI of a Luxembourg Obligor) is a question of fact, which may change from time to time.

Accordingly, the following types of proceedings (together, "insolvency proceedings") may be opened against an entity having its registered office or center of principal interests in Luxembourg:

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the Luxembourg company itself, by any of its creditors or ex officio by the Commercial Court. Following such a request, the courts having jurisdiction may open bankruptcy proceedings if the company (i) is in a state of cessation of payments (*cessation des paiements*) and (ii) cumulatively has lost its commercial creditworthiness (*ébranlement de crédit*). If a court finds that these conditions are satisfied, it may also open bankruptcy proceedings ex officio (absent a request made by the company or a creditor). Bankruptcy proceedings are primarily designed to realize the assets of the bankrupt entity in order to pay off its debts. One of the main effects of such proceedings is the stay of proceedings: unsecured creditors and creditors with a general priority right would, as of the bankruptcy order, no longer be permitted to take any action based on title to movable and immovable assets, nor any enforcement action against a Luxembourg Obligor's movable or immovable assets;

- controlled management proceedings (*gestion contrôlée*) which are governed by a grand-ducal decree of May 24, 1935 (the "Decree"), are available to a Luxembourg Obligor, in the event that it no longer has creditworthiness or is experiencing difficulties in meeting all of its commitments. The opening of a controlled management proceeding may only be requested by the company and not by its creditors and under which a court may order a provisional suspension of payments, including a stay of enforcement of claims by secured creditors;
- composition proceedings (*concordat préventif de la faillite*), the obtaining of which is requested by a Luxembourg Obligor only after having received a prior consent from a majority of its creditors holding 75% at least of the claims against a Luxembourg Obligor. The obtaining of such composition proceedings will trigger a provisional stay on enforcement of claims by creditors;
- stay on payments (sursis de paiements) or putting the company into judicial liquidation (*liquidation judiciaire*); and
- judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity that violates criminal laws or that are in violation of the commercial code or of the laws governing commercial companies. The management of such liquidation proceedings will generally follow the rules of bankruptcy proceedings.

The Issuer's liability in respect of the notes will, in the event of a liquidation of the Issuer following, in particular, bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those of the Issuer's debts that are entitled to priority under Luxembourg law. For example, preferential debts under Luxembourg law include, among others:

- certain amounts owed to the Luxembourg Revenue (*Administration des Contributions Directes*);
- value added tax and other taxes and duties owed to the Luxembourg Customs and Excise (*Administration de l'Enregistrement et des Domaines*);
- social security contributions; and
- remuneration owed to employees.

For the avoidance of doubt, the above list is not exhaustive.

Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

In addition, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the EU Insolvency Regulation.

***Impact of Insolvency Proceedings on Transactions***

During insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of certain secured creditors to enforce their security interest may also be limited particularly in the event of controlled management proceedings providing expressly that the rights of secured creditors are frozen until a final decision has been taken by the Luxembourg court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of a Luxembourg Obligor's liabilities in order to take effect. Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

***Hardening Periods and Fraudulent Transfer***

Generally, payments made, as well as other transactions (listed in the pertinent section of the Luxembourg Commercial Code) concluded or performed, during the hardening period (*période suspecte*) which is fixed by the Commercial Court and dates back not more than six months from the date on which the Commercial Court formally adjudicates a person bankrupt, and, as for specific payments and transactions, during an additional period of ten days before the commencement of such period, are subject to cancellation by the Commercial Court upon proceedings instituted by the Luxembourg bankruptcy receiver. In particular:

- article 445 of the Luxembourg Commercial Code sets out that specific transactions entered into during the hardening period and an additional period of ten days preceding the hardening period fixed by the Commercial Court are null and void (including the disposals by a Luxembourg Obligor of movable and immovable assets without consideration or with inadequate consideration; payments whether in cash or by way of assignment, sale, set-off or by any other means for non-matured debts; payments that have not been in cash or by way of negotiable and non-negotiable papers for matured debts and the granting of security interests for antecedent debts);
- article 446 of the Luxembourg Commercial Code provides that the bankruptcy receiver may challenge and initiate nullity actions in the following events: (i) payments made for matured debts for considerations; and (ii) other transactions realized during the hardening period, if the contracting party has knowledge of the cessation of payments;
- article 447 of the Luxembourg Commercial Code provides that the bankruptcy receiver may challenge and initiate nullity actions against mortgages and privileges that have been granted either ten days prior to or after the date of the cessation of payments if more than 15 days have elapsed between the granting of the mortgage or privilege and its registration; and
- regardless of the hardening period, article 448 of the Luxembourg Commercial Code and article 1167 of the Luxembourg Civil Code (*actio pauliana*) give the court-appointed bankruptcy receiver or the creditor the right to challenge any fraudulent payments and transactions made prior to the bankruptcy, without limitation of time.

***Continuance of Ongoing Contracts***

The bankruptcy receiver decides whether or not to continue performance under ongoing contracts (i.e., contracts existing before the bankruptcy order). The bankruptcy receiver may elect to continue the business of the debtor, provided the bankruptcy receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an early termination or acceleration event; and
- *intuitu personae* contracts (i.e., contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment since the debtor is no longer responsible for the management of the company. Parties can agree to continue to perform under such contracts.

The bankruptcy receiver may elect not to perform the obligations of the bankrupt party that are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy. The counterparty to that agreement may make a claim for damages in the bankruptcy and such claim will rank *pari passu* with the claims of all of the other unsecured creditors and/or seek a court order to have the relevant contract dissolved. The counterparty may not require specific performance of the contract.

***Limitation on Guarantee***

The granting of guarantees by a Luxembourg company is subject to specific limitations and requirements relating to corporate object and corporate benefit. The granting of guarantees by a company incorporated and existing in The Grand Duchy of Luxembourg must not be prohibited by the corporate object (*objet social*) and/or legal form of that company. In addition, there is also a requirement according to which the granting of third party guarantee by a company has to be for its "corporate benefit."

Although no statutory definition of corporate benefit (*intérêt social*) exists under Luxembourg law, corporate benefit is widely interpreted and includes any transactions from which the company derives a direct or indirect economic or commercial benefit. The provision of a guarantee for the obligations of direct or indirect subsidiaries is likely to raise no particular concerns, whereas the provision of cross-stream and upstream third party guarantees may be more problematic. Failure to comply with the above mentioned corporate benefit requirement will typically result in liability of the directors of the Luxembourg company granting such third party guarantee. The question whether a third party guarantee granted in the absence of corporate interest could be held null and void is discussed among legal doctrine. While some authors express the view that an absence of corporate interest could give rise to liability of the directors of the relevant company only, others consider that the consequences could be that the relevant obligations be null and void.

In addition to any criminal and civil liability incurred by the directors of the Luxembourg company, a guarantee provided by a Luxembourg company could itself be held unenforceable, if it is held that it is contrary to public policy (*ordre public*) (in case of facts consisting a misuse of corporate assets).

However, in case of a group of companies where a group interest (*intérêt de groupe*) exists such group interest could prevent a third party guarantee provided by a Luxembourg company from falling foul of the above constraints to the extent that the following cumulative criteria are met and proven:

- the "assisting" company must receive some benefit, or there must be a balance between the respective commitments of all the affiliates;
- the financial assistance must not exceed the assisting company's financial means, in which case it is typical for the guarantee to be limited to between 85-95% of the assisting company's net assets (*capitaux propres*) and the subordinated debt as determined by article 34 of the Luxembourg law of December 19, 2002 on the Register of Commerce and Companies, on accounting and on annual accounts of the companies as amended; and
- the companies involved must form part of a genuine group operating under a common strategy aimed at a common objective.

As a result, third party guarantees granted by a Luxembourg company may be subject to certain limitations, which usually take the form of a general limitation language, which is inserted in the relevant finance document(s) and which covers the aggregate obligations and exposure of the relevant Luxembourg assisting company under all finance documents.

***Financial Assistance***

Any security interests/guarantees granted by entities organized in the Grand Duchy of Luxembourg, which constitute a breach of the provisions on financial assistance as defined by Article 49-6 of the Luxembourg law dated August 10, 1915 on commercial companies, as amended, or any other similar provisions might not be enforceable.

### *Registration in Luxembourg*

The registration of the notes and the indenture that will govern the notes (and any other document in connection therewith) with the *Administration de l'Enregistrement et des Domaines* in Luxembourg may be required in the case of legal proceedings before Luxembourg courts or in the case that the notes and the indenture that will govern the notes (and any other document in connection therewith) must be produced before an official Luxembourg authority (*autorité constituée*). In such case, either a nominal registration duty or an ad valorem duty (or, for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered.

The Luxembourg courts or the official Luxembourg authority may require that the notes, the indenture that will govern the notes (and any other document in connection therewith) and any judgment obtained in a foreign court be translated into French or German.

## British Virgin Islands

One guarantor, Maidenform (Asia) Limited, is incorporated in the British Virgin Islands.

Any insolvency proceedings by or against a company resident in the British Virgin Islands would likely be based on the insolvency laws of the British Virgin Islands, including the Insolvency Act 2003 (the "BVI Insolvency Act") and the Insolvency Rules 2005 (the "BVI Insolvency Rules"). In this regard, although Part XVIII of the BVI Insolvency Act contains provisions based on the UNCITRAL Model Law on Cross- Border Insolvency in relation to the jurisdiction of foreign courts in relation to the insolvency of companies incorporated in the British Virgin Islands, Part XVIII is currently not in force. However, Part XIX of the BVI Insolvency Act is in force and allows for orders to be made in the British Virgin Islands in aid of foreign insolvency proceedings in certain designated countries, including the United Kingdom and the United States of America.

As noted above, corporate insolvency in the British Virgin Islands is governed by the BVI Insolvency Act and the BVI Insolvency Rules. These laws are closely based on the previous Insolvency Act 1986 of the UK as originally enacted. However the provisions for administration in the BVI Insolvency Act, which are similar to the provisions of the Insolvency Act 1986 of the UK prior to its amendment and replacement by the Enterprise Act 2002 and subsequent legislation, and which promote the rescue of companies in financial difficulty assisted by a statutory moratorium, are not yet in force

The key current insolvency procedures in the British Virgin Islands are liquidation, creditor arrangements, receivership and administrative receivership.

A party, who has standing, pursuant to the provisions of the BVI Insolvency Act, may make an application to the British Virgin Islands court for the appointment of a liquidator to a British Virgin Islands company if it is insolvent (as defined in the BVI Insolvency Act) or it is just and equitable or in the public interest that a liquidator should be appointed. In terms of a British Virgin Islands company that has granted a guarantee or security, and the guarantee or security has become enforceable as against the BVI company, then if the creditor considers that the British Virgin Islands company is insolvent, the creditor may apply to the British Virgin Islands court for the appointment of a liquidator to the British Virgin Islands company.

In the event of the appointment of a liquidator to a British Virgin Islands company pursuant to the provisions of the BVI Insolvency Act, from the commencement of the liquidation of the British Virgin Islands company, unless the British Virgin Islands court otherwise orders, no person may commence or proceed with any action or proceeding against the British Virgin Islands company or in relation to its assets (in effect, the appointment of a liquidator triggers an automatic stay of proceedings against the British Virgin Islands company) and no share in the British Virgin Islands company may be transferred. However, the relevant provisions of the BVI Insolvency Act do not affect the rights of a secured creditor (such as the holder of a fixed charge) to take possession of and realise or otherwise deal with assets of the British Virgin Islands company over which the creditor has a security interest. Ordinarily, the debt due under a guarantee would be an unsecured claim in the liquidation unless such debt is otherwise subject to security.

Under the laws of the British Virgin Islands, in the event of the insolvent liquidation of a British Virgin Islands company, any transaction entered into by the British Virgin Islands company within the vulnerability period (which is the period of six months prior to the onset of insolvency in the case of a transaction with an unconnected third party, or the period of two years prior to the onset of insolvency in the case of a transaction with a connected person) may be subject to challenge by the appointed liquidator, if the liquidator considers the transaction is voidable.

A voidable transaction would include an unfair preference. For a transaction to be voidable as an unfair preference the transaction must be an "insolvency transaction" (which is defined to be a transaction that is entered into at a time when the British Virgin Islands company was insolvent or causes the British Virgin Islands company to become insolvent). The "insolvency transaction" must also be entered into within the vulnerability period and it must otherwise amount to an unfair preference. An ''unfair preference'' includes a transaction which has the effect of putting a creditor of the British Virgin Islands company into a position which, in the event of the British Virgin Islands company going into insolvent liquidation, will be better than the position it would have been in if the transaction had not been entered into.

If a transaction is determined by the British Virgin Islands court to be a voidable transaction then there are a number of possible remedies that may be ordered. In particular, the British Virgin Islands court may, for example, order that the obligations of the British Virgin Islands company under any guarantee or security granted by the British Virgin Islands company may be set-aside, and or any payments made as a consequence of the voidable transaction could be clawed back by a liquidator of the British Virgin Islands company.

**Cayman Islands**

Two guarantors, Choloma, Inc. and Hanesbrands Dos Rios Textiles, Inc., are incorporated in the Cayman Islands.

When a winding-up order is made by the Cayman Islands Court (the "Court") or a voluntary winding-up is subject to Court supervision *(i.e.* in an official liquidation), an automatic moratorium on proceedings against the company (or its assets) is imposed from the date of commencement of the liquidation pursuant to such winding up order or voluntary winging up —that is, proceedings may not be commenced against the company (or its assets) without the express permission of the Court. Dispositions of property, transfers of shares and alterations in the status of shareholders effected after the commencement of official liquidation proceedings are void, unless the Court orders otherwise. The moratorium does not prevent a secured creditor from realizing its security, nor does it affect any valid rights of set-off or subordination agreements acquired or entered into before the commencement of the official liquidation.

It is a fundamental rule of Cayman Islands insolvency law that all ordinary unsecured and unsubordinated creditors are treated equally irrespective of the nature of their claims. This is referred to as the *pari passu* rule. This rule applies in relation to ordinary unsecured and unsubordinated creditors existing as at the date of the presentation of the winding-up petition, or whose claims arise out of causes of action that accrued before the date of the presentation of the winding-up petition. Generally speaking, a creditor having a validly created security interest over property of a company in liquidation is entitled to enforce his security without reference to the official liquidators and without the leave of the Court.

Preferred creditors under Cayman Islands law will rank ahead of unsecured creditors of a company. Preferred creditors under the Companies Law (as amended) of the Cayman Islands (the "Companies Law") will rank ahead of unsecured creditors and secured creditors where the secured creditors' security is in the nature of a floating charge. Furthermore, all costs, charges and expenses properly incurred in the voluntary winding up of a company, including the remuneration of the liquidators, are payable out of the assets of the company in priority to all other unsecured claims.

Enforcement against a Cayman Islands company may be limited by section 86 of the Companies Law which provides that a compromise or arrangement between a company and its creditors or any class of them shall, if sanctioned by the Court, be binding on all the creditors or a class of creditors. If there are creditors who form a class, the class will be bound by the scheme if a majority representing 75% in value of the creditors or class of creditors who attended (whether in person or by proxy) and voted, approved the scheme. Cayman Islands authority suggests that a class is constituted by "those persons whose rights are not so dissimilar as to make it impossible for them to consult together with a view to their acting in their common interest." Two or more creditors are likely to constitute separate classes in a compromise or arrangement if they hold security over different assets or hold security over the same asset but do not rank equally.

Enforcement may be limited by section 99 of the Companies Law which provides that, when a winding up order has been made, any disposition of the company's property and any transfer of shares or alteration in the status of the company's members made after the commencement of the winding up is, unless the Court otherwise orders, void.

Section 97 of the Companies Law provides:

(i) "when a winding up order is made or a provisional liquidator is appointed no suit, action or other proceedings, including criminal proceedings, shall be proceeded with or commenced against the company except with the leave of the Court and subject to such terms as the Court may impose; and

(ii) when a winding up order has been made, any attachment, distress or execution put in force against the estate or effects of the company after the commencement of the winding up is void."

However, Section 142(1) of the Companies Law confirms that, notwithstanding that a winding up order has been made, a creditor who has security over the whole or part of the assets of a company is entitled to enforce his security without the leave of the Court and without reference to the liquidator.

It should also be noted that Section 96 of the Companies Law provides that a court in the Cayman Islands may at any time after the presentation of the petition for the winding up of a company and before the making of a winding up order where any action or proceedings are pending in the summary court, the Court, the Court of Appeal, the Privy Council or in a foreign court restrain such proceedings accordingly "on such terms as [the Court] thinks fit." In practice, the scope and effect of the stay under Section 96 is the same as Section 97.

A liquidator may at any time give notice to a creditor whose debt is secured that he proposes, at the expiration of 28 days from the date of the notice, to redeem the security at the value put upon it in the creditor's proof.

Section 145 of the Companies Law provides that every conveyance or transfer of property, or charge thereon, and every payment obligation and judicial proceeding, made, incurred, taken or suffered by a company at a time when that company was unable to pay its debts within the meaning of section 93 of the Companies Law, and made or granted in favour of a creditor with a view to giving that creditor a preference over the other creditors of the company, would be invalid pursuant to section 145(1) of the Companies Law, if made, incurred, taken or suffered within the six months preceding the commencement of a liquidation of such company. Such actions will be deemed to have been made with a view to giving such creditor a preference if it is a "related party" of the company. A creditor shall be treated as a related party if it has the ability to control the company or exercise significant influence over the company in making financial and operating decisions.

Any disposition of property made at an undervalue by or on behalf of a company and with an intent to defraud its creditors (which means an intention to wilfully defeat an obligation owed to a creditor), shall be voidable:

(i) under section 146(2) of the Companies Law at the instance of the company's official liquidator; and

(ii) under the Fraudulent Dispositions Law (as amended) of the Cayman Islands, at the instance of a creditor thereby prejudiced, provided that in either case, no such action may be commenced more than six years after the date of the relevant disposition.

### France

Four guarantors, Hanes Central Services Europe S.A.S., Hanes Finance Europe S.A.S., Hanes France S.A.S and Hanes Operations S.A.S., are incorporated in France and may be subject to French laws governing creditors' rights and insolvency proceedings, including court assisted informal pre-insolvency proceedings (*mandat ad hoc* or *conciliation* proceedings) and court administered insolvency proceedings (safeguard (*sauvegarde*), reorganization (*redressement*) or liquidation (*liquidation judiciaire*) proceedings).

The following is a brief description of certain aspects of insolvency law in France (including provisions of Ordinance No. 2014-326 dated March 12, 2014 and in force as from July 1, 2014 and Law No. 2015-990 dated August 6, 2015 and known as "*loi Macron*") for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the notes.

#### *Limitations on Guarantees*

Notwithstanding anything to the contrary in a guarantee provided by a French company, such guarantee will be subject to the following limitations:

(A) the obligations and liabilities of a company incorporated in France (a "French Guarantor") under any guarantee or any security interest granted by it shall not include any obligation or liability which, if incurred, would constitute prohibited financial assistance within the meaning of article L. 225-216 of the French Commercial Code and/or would constitute an infringement of the provisions of article L. 241-3, L. 242-6 or L. 244-1 of the French Commercial Code or any other law or regulations having the same effect, as interpreted by French courts. Under French financial assistance rules, a company is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition;

(B) should a guarantee be granted by a French Guarantor which is a subsidiary of the Issuer, a guarantee limitation amount would apply corresponding to an amount equal to the proceeds from the offering of the notes applied by the Issuer for the direct or indirect benefit of that French Guarantor through any intercompany loans and/or cash pooling arrangements to that French Guarantor or its subsidiaries and outstanding on the date a payment is requested to be made under the guarantee. Accordingly, the obligations and liabilities of a French Guarantor under its guarantee shall be limited, at any time, to the proceeds of the notes (if any) made available by the Issuer to such French Guarantor and/or any subsidiaries of such French Guarantor (if any) under intercompany loan or cash pooling arrangements or similar arrangements, in each case to the extent such loans are outstanding to the French Guarantor and/or its subsidiaries at the time when a payment is required under the guarantee, it being specified that any payment made by a French company under this guarantee shall automatically reduce *pro tanto* the outstanding amount of the relevant intercompany loans or similar arrangements due by such French company to the parent company or its subsidiaries. By virtue of this limitation, a French Guarantor's obligation under the guarantees could be significantly less than amounts payable with respect to the notes, or a French Guarantor may have effectively no obligation under its guarantee; and

(C) the obligations and liabilities of a French company for the obligations of any obligor which is its subsidiary will cover all amounts due by such obligor as borrower under any applicable finance document and as obligor (the "Guaranteed Obligor"). However, where such Guaranteed Obligor is not incorporated in France, the amounts payable by the French company under this paragraph (C) in respect of the obligations of the Guaranteed Obligor as guarantor, shall be limited as set out in paragraph (B) above.

For the avoidance of doubt, any obligations or liabilities that may arise from a French company acting jointly and severally with other guarantors (including, as applicable, as *co-débiteur solidaire*) are subject always to the limitations set out in the preceding paragraphs."

In addition, if a French Guarantor receives, in return for issuing the guarantee, an economic return that is less than the economic benefit such French guarantor would obtain in a transaction entered into on an arm's length basis, the difference between the actual economic benefit and that in a comparable arm's length transaction could be taxable under certain circumstances.

French courts could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that the French guarantor did not receive some real and adequate corporate benefit from the transaction involving the grant of the guarantee as a whole. The existence of a real and adequate corporate benefit as regards a French Guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

French law requires that, when a French company grants a guarantee of third party obligations, the guarantee must be in the corporate purposes and in the corporate interests of the guarantor company. French case law has recognised that certain intragroup transactions (including upstream guarantees) can be in the corporate interest of the relevant company, particularly if the following four criteria are fulfilled:

- the existence of a genuine group of companies (taken as a whole, not just its shareholders) operating under a common strategy aimed at a common objective;
- the existence of a common economic, social or financial interests of the group within the framework of a policy implemented by the group of companies;
- the transaction shall not be without due consideration and compensation and shall not change the existing balance between the respective obligations of the relevant affiliates; and
- the risk assumed by a French Guarantor must be proportionate to the benefit. The French Guarantor must receive an actual and adequate benefit, consideration or advantage from the transaction involving the granting by it of the guarantee and the obligations of the French Guarantor under the guarantee shall not exceed its financial capability.

The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

***Fraudulent Conveyance***

French law contains specific "*action paulienne*" provisions dealing with fraudulent conveyance both in and outside insolvency proceedings. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which such debtor guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such debtor's or a third-party's obligations, enters into additional agreements benefiting from existing security or any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant debtor by the creditors' representative, the commissioner of the safeguard or recovery plan (*commissaire à l'exécution du plan*), insolvency proceedings of the relevant debtor, or by any of the creditors of the relevant debtor outside the insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings. Any such legal act may be declared unenforceable against third parties if:

- the debtor performed such act without an obligation to do so;
- the relevant creditor or (in the case of the debtor's insolvency proceedings) any creditor was prejudiced in its means of recovery as a consequence of the act; and

- at the time the legal act was performed, both the debtor and the counterparty to the transaction knew or should have known that one or more of such debtor's creditors (existing or future) would be prejudiced in their means of recovery (where the legal act was entered into for no consideration (*à titre gratuit*), no such knowledge of the counterparty is necessary).

If a court found that the issuance of the notes or the granting of a guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the notes or the granting of such guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the notes may not enjoy the benefit of the notes or the guarantees and the value of any consideration that holders of the notes received with respect to the notes could also be subject to recovery from the holders of the notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the notes might be held liable for any damages incurred by prejudiced creditors of the Issuer or the guarantors as a result of the fraudulent conveyance.

***Grace Periods***

In addition to insolvency laws discussed below, creditors can be subject to Articles 1244 1 *et seq*. of the French Civil Code. Pursuant to these articles, French courts may, in any civil proceedings involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule the payment dates of payment obligations over a maximum period of two years and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate which is lower than the contractual rate (but not lower than the legal rate published annually by decree) or that payments made shall first be allocated to repayment of the principal rather than interest. If a court order under Article 1244-1 of the French Civil Code is made, it will automatically suspend any pending enforcement measures, and any contractual interest or penalty for late payment will not accrue or be due during the period ordered by the court. A creditor cannot contract out of such grace periods. When the debtor benefits from the opening of a conciliation proceedings, these provisions shall be read in combination with Article L. 611-7 of the French Commercial Code (see below).

***Warning Procedure (procédure d'alerte)***

In order to anticipate a debtor's difficulties to the extent possible, French law provides for several warning procedures. When there are elements which the statutory auditors of a company believe put the company's existence as a going concern in jeopardy, they must request the management and the board of directors (if the company is incorporated under the legal form of a *société anonyme*) to provide an explanation of the company's situation. Failing satisfactory explanations or corrective measures, the auditors can request that a shareholders' meeting be convened. The auditors also must inform the commercial court. Shareholders representing at least 5% of the share capital and the workers' committee of a company have similar rights. The commercial court can also itself summon the management to provide explanations on elements which the court believes put the company's existence as a going concern in jeopardy. Pursuant to the provisions of Article L. 611-2-1 of the French Commercial Code, the competent civil court (*Tribunal de Grande Instance*) will also be able to exercise the emergency procedure for debtors submitted to its jurisdiction.

***Ad Hoc Agent (mandat ad hoc)***

A company that is facing any type of difficulties (but which is still able to pay its debts as they fall due out of its available assets) may request to the court the appointment of an ad hoc agent (*mandataire ad hoc*). The ad hoc agent's duties are determined by the court. Such ad hoc agents are usually appointed in order to facilitate the negotiations with creditors, but they cannot coerce the creditors to accept any proposal. Creditors are not barred from taking legal action against the company to recover their claims, but, in practice, they usually accept not to. *Mandat ad hoc* proceedings are confidential and are not limited in time. The agreement reached by the parties (if any) with the help of the ad hoc agent is reported by the latter to the court but is not sanctioned by the court. In any event, the debtor retains the right to petition the relevant judge for a grace period, as set forth above.

Although not expressly mentioned in the provisions governing *mandat ad hoc* in the French Commercial Code, *mandat ad hoc* proceedings may also be used at the request of the debtor and after the opinion of participating creditors has been sought to prepare the disposal of all or part of the business of the debtor with a view to implementing such sale (*plan de cession*) in subsequent insolvency proceedings. To ensure transparency, the public prosecutor must be consulted on any offer formalized in the context of such *mandat ad hoc* proceedings.

Contractual provisions modifying the terms of an outstanding contract, by diminishing the rights or increasing the obligations of the debtor solely by reason of the appointment of an ad hoc agent or any request made to this end are deemed null and void. Equally, contractual provisions that would, as the sole result of the opening of *mandat ad hoc* proceedings, make the debtor bear the fees of creditors' counsel relating to such proceedings are deemed null and void with respect to the portion of such fees above a proportion fixed by order of the Minister of Justice (currently: 75% of the fees).

***Conciliation Proceedings***

A company may, in its sole discretion, apply for the opening of conciliation proceedings (*procédure de conciliation*) with respect to itself, provided it (i) is able to pay its due debts out of its available assets, or has been unable to pay its due debts out of its available assets for less than 45 days and (ii) experiences legal, economic or financial difficulties. If a competent court decides to grant the petition, it will appoint a conciliator (*conciliateur*) to help the company reach an agreement with its creditors and/or trade partners for reducing or rescheduling its indebtedness. Conciliation proceedings are confidential and may last up to five months. This agreement may be either, upon all parties' request, acknowledged (*constaté*) by the president of the court or, upon the debtor's request, approved (*homologué*) by the court.

The acknowledgement of the agreement by the president of the court gives the agreement the legal force of a final judgment, which means that it constitutes a judicial title that can be enforced by the parties without further recourse to a judge (*titre exécutoire*), although the conciliation proceedings will remain confidential.

The approval by the court, which is subject to the satisfaction of certain conditions, will disclose the existence of conciliation proceedings, the guarantees and priorities (*privilèges*) granted to the creditors (but will not make public the terms of the conciliation agreement) and will have the following specific consequences:

- creditors who provide new money, goods or services designed to ensure the continuation of the business of the distressed company (other than shareholders providing new equity) will enjoy a priority of payment over all pre-proceedings and post-proceedings claims (other than certain employment claims and post-proceedings procedural costs), in the event of subsequent safeguard proceedings, accelerated safeguard proceedings, accelerated financial safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings; and
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of the *cessation des paiements* and therefore the commencement date of the "hardening" period (*période suspecte*) cannot be fixed by the court as of a date earlier than the date of the approval of the conciliation agreement by the court (see below for the definition of the date of the *cessation des paiements* and of the "hardening" period), except in case of fraud; and
- in the event of subsequent Safeguard, Accelerated Safeguard, Accelerated Financial Safeguard, or Judicial Reorganization proceedings, the payment date of claims benefiting from the "new money privilege" may not be rescheduled without their holders' consent.

When acknowledging or approving the conciliation agreement, the president of the court or the court may appoint, upon request of the debtor, the conciliator as *mandataire à l'exécution de l'accord* to supervise the performance of the agreement for the period corresponding to the duration of this conciliation agreement.

Contractual provisions modifying the terms of an outstanding contract by diminishing the rights or increasing the obligations of the debtor solely by reason of the opening of *conciliation* proceedings or any request made to this end are deemed null and void. Equally, contractual provisions that would, as the sole result of the opening of *conciliation* proceedings, make the debtor bear the fees of creditors' counsel relating to such proceedings are deemed null and void with respect to the portion of such fees above a proportion fixed by order of the Minister of Justice (currently: seventy-five percent of the fees). While the conciliation agreement (whether acknowledged or approved) is being implemented, by law: (i) any individual proceedings by creditors with respect to the claims governed by the conciliation agreement are suspended, (ii) accrued interests of the claims governed by the conciliation agreement cannot bear themselves interests and (iii) the debtor retains the right to petition the President of the Court who opened conciliation proceedings for debt rescheduling (pursuant to Article 1244-1 of the French Civil Code mentioned above) in relation to creditors (other than public creditors) who were called to the conciliation with respect to their claims which are not governed by the conciliation agreement, in which case the decision would be taken after having heard the *mandataire à l'exécution de l'accord* appointed to supervise the performance of the restructuring agreement, if the conciliator has been appointed in such capacity and taking into account the actual performance of the restructuring agreement by the debtor.

A third party having granted a guarantee (*sûreté personnelle*) or a security interest (*sûreté réelle*) can benefit from the grace periods granted to the debtor during conciliation proceedings as well as from the provisions of the approved or acknowledged agreement (Article L. 611-10-2 of the French Commercial Code).

In the event of a breach of the conciliation agreement, any party to the agreement can petition the court for its termination. The commencement of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims and security interests, to the exception of those amounts already paid to them.

Conciliation proceedings may also be used at the request of the debtor and after the opinion of participating creditors has been sought to prepare the disposal of all or part of the business of the debtor with a view to implementing such sale (*plan de cession*) in subsequent insolvency proceedings. To ensure transparency, the public prosecutor must be consulted on any offer formalized in the context of such conciliation proceedings.

Finally, conciliation proceedings, in the context of which a draft plan has been negotiated and is supported by a large majority of creditors which is likely to meet the thresholds required for creditors' consent in safeguard, will be a mandatory preliminary step of the accelerated safeguard proceedings or accelerated financial safeguard proceedings, as described below.

***Safeguard Proceedings (procédure de sauvegarde)***

The safeguard proceedings allow for the establishment of a restructuring plan negotiated with the creditors under court supervision before the company becomes insolvent. It is available only at the request of a debtor company. The objectives of safeguard proceedings are to facilitate the debtor's reorganization in order to safeguard the debtor's activity and employment and to pay creditors. The debtor must be solvent (*i.e.*, not unable to pay its due debts out of its available assets) but experiencing difficulties that it cannot overcome. Safeguard proceedings are public and include an automatic stay of all actions against the debtor for up to six months, renewable for an additional six months with court approval and which can be extended, under exceptional circumstances, to a maximum of 18 months upon request of the public prosecutor.

During that observation period, which may last up to 18 months, a court-appointed administrator (*administrateur judiciaire*), whose name can be suggested by the debtor, investigates the business of the company and helps the company to elaborate a draft safeguard plan (*projet de plan de sauvegarde*).

During the safeguard proceedings, payments by the debtor of any debts incurred prior to the opening of the proceedings are prohibited, subject to limited exceptions. The bankruptcy judge can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the business or recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*). Debts arising after the commencement of the safeguard proceedings and which relate to expenses necessary for the business's ordinary activities or are required by the proceedings must be paid as and when they fall due, and if such is not the case, they will be given priority over debts incurred prior to the commencement of the safeguard proceedings.

One of the main features of the safeguard proceedings consists in the creation of two creditors' committees (mandatory for companies employing more than 150 persons or with a turnover exceeding €20 million, and whose accounts are certified by a statutory auditor (*commissaire aux comptes*) or established by a certified public accountant (*expert comptable*), optional below such thresholds), one of banks and financial institutions (or assimilated institutions and entities having granted credit or advances in favor of the debtor) and the other of suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers, as well as a general meeting of note holders (comprising all holders of all notes or bonds issued by the company even if they relate to different issues and regardless of the law applicable to each issue), in the event the concerned debtor would have issued bonds or notes, to which the debtor submits proposals to reach agreement on a recovery plan.

The debtor's management, together with the court-appointed administrator, is in charge of drafting the plan which will be voted by the committee(s) and the general meeting of noteholders as the case may be. Additionally, each member of the credit institutions' committee and each member of the suppliers' committee may propose an alternative safeguard or reorganization plan, which will have to obtain the support of all committees and general meeting of noteholders, if any. For the avoidance of doubt, the noteholders are not entitled to propose such a plan.

The committees must accept or reject proposals for a safeguard plan within a minimum of 15 days of having received such proposals. For each committee, the plan is approved by such committee, where the members voting in favor of the plan account for at least two-thirds of the outstanding claims of the committee members expressing a vote. The amounts of the claims secured by a trust (*fiducie*) constituted as a guarantee granted by the debtor are not taken into account. In addition, creditors for whom the plan does not provide any modification of their repayment schedule or provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted, do not take part in the vote.

In cases where bonds or notes have been issued by the relevant French company, the plan, if approved by the committees, is then submitted to the general meeting of note holders where it is also approved by a majority of two-thirds of the outstanding claims of the note holders expressing a vote.

In respect of voting rights in both committees and general meeting of note holders, each creditor member of a creditors' committee and each note holder must, if applicable, inform the court-appointed administrator of the existence of any agreement relating to the exercise of its vote or providing for the full or partial payment of its claim by a third party, as well as of any subordination agreement. The court-appointed administrator shall then submit to the concerned creditor/note holder a proposal for the computation of its voting rights in the relevant creditors' committee or general meeting of note holders. In the event of a disagreement, the concerned creditor/note holder or the court-appointed administrator may request that the matter be decided by the president of the commercial court in summary proceedings.

Those creditors whose repayment terms are not affected by the draft safeguard plan, or for which the draft plan provides for full repayment in cash upon approval of the plan or admission of their claims, will not vote in the framework of the creditors' committees or the general meeting of noteholders, as applicable. The committees and the general meeting of note holders, if any, must vote on the plan within six months from the date of the judgment opening the proceedings. If the debtor's proposed plan is not approved within these six months, this six-month period may be extended by the court at the request of the court-appointed administrator for a period not exceeding the duration of the observation period, in order for the plan to be approved through the committee-based consultation process. The plan submitted to the committees and the note holders, if any, may include not only a rescheduling of debts but also cancellation of debts and debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent). In that respect it should be noted that (i) if the plan provides for a capital increase, the shareholders may subscribe to such share capital increase by way of a set-off with their claims against the debtor, as reduced as the case may be according to the provisions of the plan, (ii) if the court empowers the court-appointed administrator to convene a shareholders' meeting in order to take corporate resolutions with respect to the modification of the debtor's by-laws (including modifications of its share capital) required by a safeguard plan, the court may order that, under certain conditions, the shareholders' decisions be adopted by a majority vote of the shareholders attending or represented, as long as such shareholders own at least half of the shares with voting rights.

The plan may provide for a different treatment of creditors if the differences in their situation so justify. The plan submitted to the creditors' committees and the general meeting of noteholders must take into account intercreditor subordination agreements entered into prior to the opening of the proceedings.

Following approval by the creditors' committees and the general meeting of note holders, if any, and subject to verification by the court that creditors' interests are adequately preserved, the court can approve the plan, in which case the plan will be binding on all creditors and noteholders (including those who did not vote or who voted against the adoption of the plan). Creditors who are not members of committees and who are not noteholders are consulted on an individual or collective basis. For those individual creditors with whom an agreement has not been reached with respect to the payment of their claim, the court can reschedule repayment of their claims over a maximum period of 10 years, with the exception of debts with maturity dates exceeding the duration of the plan, in which case their maturity dates remain the same. The court cannot oblige such creditors to waive any part of their claim. The first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual installment must be at least 5% of the total admitted pre-filing liabilities (except for agricultural businesses)).

The court can also impose a plan if one or both of the committees, or the general meeting of noteholders, does not approve a plan, either by failing to vote within the specified six-month period (which may be extended by the court at the request of the court-appointed administrator, to the extent it does not exceed the duration of the observation period) or by rejecting the plan. In such a case, the rules are the same as those applicable to creditors who are not members of the committees and who are not noteholders (creditors are consulted on an individual or collective basis and, in particular, the court can only impose a rescheduling of the repayment of the debts over a maximum period of ten years, with the exception of debts with maturity dates exceeding the duration of the plan, in which case their maturity dates remain the same).

Finally, at any time during safeguard proceedings, the court may convert safeguard proceedings into reorganization proceedings (i) at the request of the debtor company, the court-appointed creditors' representative (*mandataire judiciaire*), the court-appointed administrator or the public prosecutor, if the company was already in *cessation des paiements* at the opening of the proceedings, (ii) upon its own initiative or upon request of the debtor company, the court-appointed creditors' representative, the court-appointed administrator or the public prosecutor, if the company becomes insolvent or (iii) at the debtor's request or upon request of the court-appointed administrator, the court-appointed creditors' representative or the public prosecutor (if no plan has been adopted by the relevant creditors' committee and, if any, by the noteholders' assembly (as described below)), it appears that the adoption of a safeguard plan is manifestly impossible and the company would shortly become insolvent should the safeguard proceedings be ended. The court may also convert safeguard (provided the debtor is insolvent) or reorganization proceedings into liquidation proceedings if recovery of the debtor is manifestly impossible.

***Accelerated Safeguard Proceedings***

A company in the course of conciliation proceedings may request commencement of accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) if

(i) while not being in *cessation des paiements* (*i.e.*, being unable to pay its debts as they fall due out of its available assets) for more than 45 days when it initially requested the opening of conciliation, it is facing difficulties that it cannot overcome,

(ii) it (a) has its accounts certified by a statutory auditor or established by a certified public accountant and has (1) more than twenty employees or (2) a turnover greater than €3 million excluding any applicable taxes or (3) total assets in its balance sheet greater than €1.5 million, or (b) establishes consolidated financial statements in accordance with Article L. 233-16 of the French Commercial Code,

(iii) it is subject to ongoing conciliation proceedings and

(iv) it has prepared, in the context of conciliation proceedings, a draft safeguard plan that aims to protect its operations in the long run and which is likely to be supported, within the group of those creditors who will be affected by the accelerated safeguard proceedings, by a sufficiently large majority of them to allow the adoption of the plan by the creditors' committees and the noteholders' general meeting within the duration of the procedure (*i.e.* three months from the opening judgment of the accelerated safeguard procedure).

The accelerated safeguard proceedings have been designed to "fast track" the safeguard proceedings for large companies. The regime applicable to accelerated safeguard proceedings is roughly similar to the regular safeguard proceedings, to the extent compatible with the accelerated timing in accelerated safeguard proceedings. Therefore some provisions relating in particular to ongoing contracts and restitution claims made by owners benefiting from retention of title clauses are, for instance, excluded by law.

Trade creditors are involved in the accelerated safeguard proceedings. Where accelerated safeguard proceedings are opened, the credit institution committee, the trade creditors' committee and the general meeting of noteholders are convened and are required to vote on the proposed accelerated safeguard plan within the minimum period of 15 days from delivery of the proposed plan (as applicable in safeguard proceedings).

As with traditional safeguard proceedings, the plan adopted in the context of accelerated safeguard proceedings may notably provide for rescheduling of debts (provided that the concerned creditors have agreed to such rescheduling), debt cancellation, or debt-for-equity swaps (requiring the relevant shareholder consent).

The maximum duration of the accelerated safeguard proceedings is three months. If, during this period, no plan is adopted by the required majorities of the creditors' committee and the general meeting of noteholders, the court shall terminate the accelerated safeguard proceedings.

***Accelerated Financial Safeguard Proceedings***

A company in the course of conciliation proceedings may request commencement of accelerated financial safeguard proceedings (*procedure de sauvegarde financière accélérée*).

The regime applicable to accelerated financial safeguard proceedings is similar to that applicable to accelerated safeguard proceedings, which are now designed as the common "accelerated proceedings" whereas the accelerated financial safeguard proceedings are designed to "fast-track" safeguard proceedings dealing with purely financial difficulties.

The key difference between accelerated safeguard proceedings and accelerated financial safeguard proceedings is that the latter relate only to debts owed to financial institutions and noteholders (*i.e.*, debts towards credit institutions that are eligible members of the credit institutions' committee and debts towards noteholders which are eligible members of the general meeting of noteholders described above), which are subjected to an automatic stay and dealt with under the safeguard plan. The company continues to trade normally while the proceedings are pending, thus reducing significantly the impact of such safeguard proceedings on operational companies. Other classes of creditors, such as suppliers or public creditors, are not therefore affected by the proceedings.

The same conditions mentioned above for the opening of accelerated safeguard proceedings also apply to a debtor eligible for accelerated financial safeguard proceedings, *provided* that the accounts of the debtor offer evidence that a plan prepared in the context of conciliation proceedings is supported by a large majority of those financial creditors who will be affected by the accelerated financial safeguard proceedings (as indicated in the preceding paragraph), and is likely to be adopted within the duration of the procedure (*i.e.*, one month from the opening judgment of the accelerated financial safeguard proceedings).

The content of the safeguard plan and conditions of its adoption are the same as in accelerated safeguard proceedings, except that the credit institutions' committee and the general meeting of noteholders are required to vote on the proposed safeguard plan within a shortened minimum period of eight days of being notified of the proposed plan.

The duration of the accelerated financial safeguard proceedings must not exceed one month, unless the court decides to extend it by one additional month. If, during this period, no plan is adopted by the required majorities of the financial creditors and noteholders (the same majority rules apply as in committees in regular safeguard proceedings), the court shall terminate the accelerated financial safeguard proceedings and may not impose any uniform debt rescheduling on creditors.

***Judicial Reorganization (redressement judiciaire)***

A judicial reorganization may be initiated with respect to a company incorporated in France (or a foreign company whose center of main interest is situated in France) if it cannot pay its due debts out of its available assets (*i.e.*, if it is in *cessation des paiements*), provided that its situation is capable of improving and it is capable of recovery.

Such proceedings may be initiated by the company, a creditor, the court (in very limited cases only) or the public prosecutor.

The debtor is required to petition for insolvency proceedings within 45 days of becoming in *cessation des paiements* unless it initiated conciliation proceedings within the same period. If it does not, its *de jure* managers (including the directors) and, as the case may be, its *de facto* managers, are subject to civil liability.

The aims of judicial reorganization proceedings are the same as those of safeguard proceedings. Most of the rules applicable to safeguard proceedings apply to judicial reorganization proceedings. In particular, the opening of judicial reorganization proceedings triggers an automatic stay of proceedings against the debtor for up to a maximum of 18 months (subject to the same limited exceptions).

As with safeguard proceedings, the debtor's management, together with the court-appointed administrator, is in charge of drafting the plan which will be voted on by the creditors' committee(s) and the general meeting of noteholders, as the case may be. Additionally, each member of the committee(s) may propose an alternative reorganization plan (whereas noteholders may not). Committees of creditors and a general meeting of noteholders may be created under the same conditions as in safeguard proceedings (see above). The reorganization plan can combine all of the following: a debt restructuring, a re-capitalization of the company, a debt-for-equity swap (subject to relevant shareholder approval) and the sale of certain assets or of portions of the business. The plan may provide for a different treatment of creditors if the differences in their situation so justify. The plan submitted to the creditors' committees and the general meeting of noteholders must take into account intercreditor subordination agreements entered into prior to the opening of the proceedings.

In the case where the shareholders' equity has not been restored to a level equal to at least one-half of the share capital as required by Article L. 626-3 of the French Commercial Code and the reorganization plan provides for a modification of the share capital in favor of one or more person(s) who undertake to comply with the plan, the court-appointed administrator may appoint a trustee (*mandataire de justice*) to vote in place of the dissenting shareholders if they refuse to vote such restoration.

In addition, Law No. 2015-990 dated August 6, 2015 (known as "*loi Macron*") has introduced a new provision (Article L. 631-19-2 of the French Commercial Code) applicable to Judicial Reorganization proceedings opened as from August 7, 2015 in the cases where

(i) a debtor (a) employs more than 150 employees or (b) controls one or more companies employing in total more than150 employees,

(ii) the disappearance of such debtor is likely to cause serious disturbance to the national or local economy and to local employment, and

(iii) a share capital modification appears—after review of total or partial disposal plan solutions—the only credible solution to avoid such a disturbance and to allow the debtor's business activities to continue.

In summary, if, in such event, a reorganization plan provides for a modification of the share capital in favor of one or more person(s) who undertake to execute the plan (*e.g.*, the new majority shareholders) and the existing shareholders refuse to vote such share capital modification, the court may, under certain procedural and substantial conditions (*e.g.*, the payment to the evicted shareholders of an amount corresponding to the value of their shares, as determined by a court-appointed expert if no agreement as to such value is reached among the parties) and upon request of the court-appointed administrator or the public prosecutor, either (i) appoint a trustee to vote in favor of a share capital increase in place of the dissenting shareholders or (ii) order, in favor of the person(s) who have undertaken to execute the plan, the transfer of all or part of the shares owned by the dissenting shareholders who own a majority of voting rights or hold a blocking minority in the company. Any approval clause is deemed null and void.

If it appears the debtor is not able to ensure the recovery of its business, a total or partial sale of the business can be ordered by the court, at the request of the court-appointed administrator. In this case, the sale is conducted by the court-appointed representative of the creditors in accordance with rules applicable to the liquidation procedure.

***Judicial Liquidation (liquidation judiciaire)***

Such proceedings may be initiated by the company, a creditor, the court (in very limited cases only) or the public prosecutor if the debtor cannot pay its due debts out of its available assets (*i.e.*, if it is in *cessation des paiements*) and its recovery is not possible. The aim of these proceedings is to liquidate a company and end its activities, by selling its business, either as a whole or per branch of activity or asset by asset. The activity is ended from the opening of proceedings, except if a sale of all or part of the business is feasible. In such a case, the court authorizes the company to continue its activity during a maximum period of three months (renewable once) to implement such a sale.

The debtor is required to petition for insolvency proceedings within 45 days of becoming unable to pay its due debts out of its available assets (in *cessation des paiements*). The bankruptcy judge opens a judicial liquidation rather than a judicial reorganization when it considers that the debtor is unable to continue its business or that there are no serious chances of improving the company's prospects through restructuring. Liquidation proceedings trigger an automatic stay of proceedings against the company. Secured creditors benefiting from a pledge are, however, where the law applicable to such security arrangements does not prohibit it, entitled to enforce their security interest through a court monitored allocation process (*attribution judiciaire*) (*i.e.*, request the court to transfer ownership of the pledged asset(s)).

The court will end the proceedings when either no due liabilities remain, the liquidator has sufficient funds to pay off the creditors (*extinction du passif*), or continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actif*).

The court may also terminate the proceedings (i) when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets, or (ii) in the event where there are insufficient funds to pay off the creditors, by appointing a *mandataire* in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

### *Void and Voidable Transactions*

Transactions may be challenged by the court-appointed administrator, court agent, liquidator or public prosecutor if they are entered into during the so-called "hardening" period (*période suspecte*) before a judgment opening judicial reorganization or judicial liquidation proceedings. Such period runs from the date on which the company is deemed to be unable to pay its due debts out of its available assets (in *cessation des paiements*) and can be backdated by the court up to 18 months before the judgment opening the relevant insolvency proceedings but not before the court order approving a conciliation agreement (*homologation*) Certain transactions entered into by the debtor during the hardening period are automatically void or voidable by the court.

Transactions that are automatically void if performed during the hardening period include transactions or payments that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include, notably, transfers of assets for no consideration or for nominal consideration, contracts under which the obligations of the company significantly exceed the reciprocal obligations of the other party, payments of debts not due at the time of payment, payments of debts due made in a manner which is not commonly used in the ordinary course of business, security granted for debts previously incurred and provisional measures (unless the writ of attachment or seizure predates the date of *cessation des paiements*), the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as a security for debt incurred at the same time), any amendment to a trust arrangement (*fiducie*) that dedicates assets or rights as a guarantee of pre-existing debts and a notarized declaration of non-seizability (*déclaration d'insaisissabilité notariée*) applying to any assets of the debtor during the "hardening" period.

Transactions that are voidable by the court include transactions or payments made when due after the date of *cessation des paiements*, such as payments made on accrued debts, transfers of assets for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the "hardening period", in each case if the court determines that the party dealing with the company knew, or should have known, that it was in a state of *cessation des paiements* at the relevant time. Transactions relating to the transfer of assets for no consideration are also voidable when realized during the six-month period prior to the beginning of the "hardening" period.

There is no "hardening" period prior to the opening of safeguard or accelerated safeguard proceedings or accelerated financial safeguard proceedings, to the extent the debtor was not insolvent when such proceedings were opened.

### *Status of Creditors*

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of the proceedings must file a proof of claim with the court-appointed creditors' representative within two months of the publication of the court order opening the proceedings in the *Bulletin Officiel des Annonces Civiles et Commerciales* (by exception, the deadline starts upon receipt of an individual notification for those creditors whose claim arose out of a published contract or who benefit from a published security interest): this period is extended to four months for creditors domiciled outside France. In the case where the debtor has informed the creditors' representative of the existence of a claim and no proof of claim has been filed yet, such claim is deemed filed with the creditors' representative. When a proof of claim is made on behalf of a creditor, such creditor is allowed to ratify it or, if he wishes so, to replace it by filing its own proof of claim. Creditors who have not submitted their proof of claims during the relevant period are, except with respect to limited exceptions, barred from receiving distributions made in connection with the proceedings and their unasserted claims are unenforceable against the debtor if the debtor complies with the plan's provisions. Employees are not subject to such obligations and are preferred creditors under French law.

From the date of the court order commencing the insolvency proceedings, the company is prohibited from paying debts outstanding prior to that date, subject to specified exceptions, which essentially concern the set-off of inter-related debts (*dettes connexes*) and, provided that such payments are authorized by the court, payments made to recover assets required for the continued operation of the business. During this period, creditors may not pursue any legal action against the company with respect to any claim arising prior to the court order commencing the proceedings if the objective of such legal action is:

- to obtain an order for or payment of a sum of money by the company to the creditor (however, the creditor may require that a court fix the amount due);
- to terminate a contract for non-payment of amounts owed by the company; or
- to enforce the creditor's rights against any assets of the company, except where such asset is located in another Member State within the European Union, in which case the rights *in rem* of creditors thereon would not be affected by the insolvency proceedings, in accordance with the terms of Article 5 of the EU Insolvency Regulation.

Contractual provisions that would accelerate the payment of the company's obligations upon the opening of insolvency proceedings or the occurrence of a state of *cessation des paiements* are not enforceable under French law. The opening of liquidation proceedings, however, automatically accelerates the maturity of the company's obligations. If, however, the court authorizes the company to continue its activity because a sale of all or part of the business is feasible, the company's obligations which have not yet arrived at maturity shall only mature as at the date of the judgment ordering such sale or upon expiry of the period of continued activity authorized by the court.

The court-appointed administrator may elect to terminate ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform, or, on the contrary, to continue such contracts, and in the latter case can require that other parties to a contract continue to perform their obligations even though the company may have been in default, provided that the company fully performs its post-petition contractual obligations (and, in the case of reorganization proceedings, absent consent to other terms of payment, that the debtor pays cash on delivery).

In the context of Accelerated Safeguard or Accelerated Financial Safeguard proceedings, the above rules would only apply to the creditors which are subject to the Accelerated Safeguard or Accelerated Financial Safeguard (see above). In addition, the debtor draws a list of the claims of its creditors having participated in the conciliation proceedings which is certified by its statutory auditors and filed with the commercial court and which is deemed to be a filing of their proof of claim by such creditors if they do not file their claim within the general deadlines applicable in other insolvency proceedings referred to above.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, the bankruptcy court, officials appointed by the bankruptcy court as required by the insolvency proceedings, post-petition creditors, certain secured creditors and the French treasury.

#### *Creditors' Liability*

Pursuant to Article L. 650-1 of the French Commercial Code, where insolvency proceedings or safeguard have been commenced, creditors may be held liable for the losses suffered as a result of facilities granted to the debtor on the following grounds (and may only be held liable on those grounds): (i) fraud, (ii) wrongful interference with the management of the debtor and (iii) the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

### Hong Kong

Two guarantors, Hanesbrands Apparel (Hong Kong) Limited and Hanesbrands Corporate Services (Hong Kong) Limited, are incorporated in Hong Kong

Insolvency proceedings with respect to a guarantor incorporated under the laws of Hong Kong (a "Hong Kong Guarantor") may be commenced in Hong Kong and, if so, will be based on Hong Kong insolvency laws.

In the event of a liquidation of the Hong Kong Guarantor under Hong Kong law, liquidators will realize available assets (being the assets remaining after secured creditors have enforced on any valid security interests) for the benefit of the Hong Kong Guarantor's creditors and contributories. Payments will be made to holders of the notes (pari with other unsecured creditors) only after payment of all other claims entitled to priority under Hong Kong insolvency law.

Any interest accruing under or with respect to amounts due under a guarantee provided by the Hong Kong Guarantor with respect to any period after the commencement of liquidation proceedings would only be recoverable by the holders of the notes (pari with other creditors) from any surplus remaining after payment of all other debts proved in the liquidation proceedings and accrued and unpaid interest up to the date of the commencement of the liquidation proceedings.

Under Hong Kong insolvency law, any payment or other act relating to property made or done by a company within six months or two years in the event of transactions entered into with an "associate" (as defined in the Bankruptcy Ordinance (Cap. 6 of the laws of Hong Kong)) before the commencement of its winding up is invalid if the insolvent company in making that payment or doing that act did so with a view to giving a creditor an unfair preference, which will be presumed if the parties are "associates." Further, a transaction may be set aside by the court under Hong Kong law if it amounts to a disposition of property with the "intent to defraud creditors." A liquidator, creditor or other person thereby prejudiced may apply to the court for relief.

Under Hong Kong law, a company incorporated in Hong Kong (the "Hong Kong Company") or any of its subsidiaries is prohibited from providing "financial assistance" (as defined in section 274 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) (the "Companies Ordinance")) for the acquisition of shares in the Hong Kong Company or for the purpose of reducing or discharging a liability incurred for the purpose of such acquisition, unless the transaction falls within the permitted exceptions under the Companies Ordinance or the giving of the financial assistance is authorized by one of the relevant procedures provided under the Companies Ordinance.

If the Hong Kong Guarantor's distributable reserves are less than the value of the notes, the guarantee provided by the Hong Kong Guarantor may be challenged as an unauthorized distribution to its shareholder.

## Ireland

One guarantor, Maidenform Brands International Limited, is incorporated in Ireland.

### *Differences in Insolvency Law*

If an Irish incorporated guarantor has its registered offices in Ireland (an "Irish Guarantor"), there is a rebuttable presumption that its centre of main interest, for the purposes of any collective proceedings under the EU Insolvency Regulation, which has force of law in Ireland, is in Ireland and consequently it is likely that main insolvency proceedings applicable to such company would be governed by Irish law. However, if an Irish Guarantor has its "centre of main interests" in a Member State of the European Union other than Ireland, then the main insolvency proceedings for that company may be opened in such other Member State and will be subject to the laws of that Member State.

Irish insolvency laws differ from the insolvency laws of the United States and may make it more difficult for the holders of the notes to recover the amount in respect of the Irish Guarantor's guarantee of the notes than they would have recovered in a liquidation or bankruptcy proceedings in the United States.

### *Preferential Creditors*

Under Sections 621 and 622 of the 2014 Act, in a winding-up of an Irish company preferential debts are required to be paid in priority to all other debts other than those secured by a fixed charge.

The preferential debts will comprise, among other things, any amounts owed in respect of local rates and certain amounts owed to the Irish Revenue Commissioners for income/corporation/capital gains/property tax, VAT, PAYE, social security and pension scheme contributions and remuneration, salary and wages of employees and certain contractors and the expenses of liquidations and examinership (should either occur) of the Irish company.

### *Unfair Preference*

Under Irish insolvency law, if an Irish company goes into liquidation, a liquidator may apply to the court to have certain transactions set aside if they are deemed to be an unfair preference. Section 604 of the 2014 Act provides that any conveyance, mortgage, delivery of goods, payment, execution or other act relating to property made or done by or against an Irish company, which is unable to pay its debts as they become due in favor of any creditor or any person on trust for any creditor, with a view of giving such creditor (or any surety or guarantor for the debt due to such creditor) a preference over the other creditors within six months (or in the case of a connected person, two years) of the commencement of a winding-up of the Irish company, shall be invalid. Case law relevant to Section 286 of the Irish Companies Act 1963 (as amended) (the substantially similar predecessor to Section 604 of the 2014 Act) indicated that a dominant intent on the part of the entity concerned to prefer a creditor over its other creditors was necessary in order for Section 286 to apply. Section 604 is only applicable if, at the time of the conveyance, mortgage or other relevant act, the Irish company was unable to pay its debts as they became due.

### *Improperly Transferred Assets*

Under Section 608 of the 2014 Act, if it can be shown on the application of a liquidator, creditor or contributory of a company which is being wound up, to the satisfaction of the relevant Irish Court that any property of such company was disposed of (which would include by way of transfer, mortgage or security) and the effect of such a disposal was to perpetrate a fraud on the company, its creditors or members, the relevant Irish Court may, if it deems it just and equitable, order any person who appears to have use, control or possession of such property or the proceeds of the sale or development thereof to deliver it or pay a sum in respect of it to the liquidator on such terms as the relevant Irish Court sees fit. Receivers and examiners may similarly challenge the transfer of assets pursuant to Sections 443 and 557, respectively, of the 2014 Act. Sections 443, 557 and 608 do not apply to a disposal that would constitute an unfair preference for the purpose of Section 604 of the 2014 Act.

### *Disclaimer of Onerous Property*

Sections 615 and 616 of the 2014 Act confer power on a liquidator, with leave of the court, at any time within twelve months after the commencement of the winding-up or such extended period as may be allowed by the court, to disclaim any property of the Irish company being wound up which consists of, among other things, (i) unprofitable contracts or (ii) any property which is unsaleable or not readily saleable by reason of its binding the possessor to the performance of any onerous act or to the payment of money. The liquidator's hand may be forced, in that any person interested in the property may require him to decide whether or not he will disclaim and if the liquidator wishes to disclaim in such circumstances, he must give notice within 28 days or such further period as may be allowed by the courts that he intends to apply to court to disclaim.

A liquidator must disclaim the whole of the property; he may not keep part and disclaim part. A disclaimer terminates as and from the date of the disclaimer the rights, interest and liabilities of the company in the contract or the property, but, the disclaimer does not affect the rights or liabilities of any other person, except so far as necessary for the purpose of releasing the company from liability. Any person damaged by the operation of a disclaimer shall be deemed a creditor of the company to the amount of the damages, and may prove that amount as a debt in the winding-up.

The meaning given to an unprofitable contract is one that would involve the liquidator in some liability. There must be some “burden” associated with the contract; the mere fact that the insolvent company’s estate would be better off by disclaimer is not enough.

***Examinership***

In addition, a court protection procedure, known as examinership, is available under the 2014 Act to facilitate the survival of a company and the whole or any part of its undertaking as a going concern through the appointment of an examiner to the company and the formulation by the examiner of proposals for a compromise or scheme of arrangement. Provided a company can demonstrate viability, and can satisfy certain tests, the High Court or, in certain circumstances, the Circuit Court (for smaller companies) (each an “Irish Court”) appoints an independent examiner whose function is to supervise the restructuring process. During the protection period (of up to a maximum of 100 days) he will formulate, in conjunction with the existing stakeholders and potential investors, proposals for a scheme of arrangement, which are presented to statutory meetings of all members and creditors and ultimately to the relevant Irish Court for confirmation. The scheme will provide for the treatment of creditors’ claims in the restructuring, the adjustment of the rights of shareholders, and a structure for the investment underpinning the restructuring. If confirmed by the relevant Irish Court the scheme is binding on the company and all its members and creditors. During the protection period the day-to-day business of the company remains under the control of the directors of the company, subject to certain rights of the examiner to apply to the relevant Irish Court.

If an Irish Guarantor is placed in examinership, you may not be able to enforce your rights under its guarantee of the notes.

The effect of the appointment of an examiner is to suspend the rights of creditors for the protection period. For as long as a company is under the protection of the relevant Irish Court, no attachment, sequestration, distress or execution shall be put into force against the property or effects of the relevant company except with the consent of the examiner.

No other proceedings in relation to the company may be commenced except by leave of the court and subject to such terms as it may impose. In addition, no payment may be made by a company during the period when it is under protection of the court by way of satisfaction or discharge of the whole or any part of a liability incurred by the company before the date of presentation of the petition for the appointment of the examiner, unless the report of the independent accountant contains a recommendation to that effect, or unless the court, on application being made by the examiner or any interested party, shall so authorize it, if the court is satisfied that a failure to do so would considerably reduce the prospects of the company or the whole or any part of its undertaking surviving as a going concern.

The 2014 Act provides, *inter alia*, that no proceedings of any sort may be commenced against a guarantor in respect of the debts of the Irish company in examinership.

Section 554 of the 2014 Act allows for the remuneration, costs and expenses of the examiner to be paid prior to any other claims including secured claims (whether secured by fixed or floating security). Section 529 of the 2014 Act provides that any liabilities incurred by a company in examinership which are certified by the examiner to have been incurred in circumstances where, in the opinion of the examiner, the survival of the company under court protection as a going concern during the period would otherwise be seriously prejudiced, shall be treated as expenses properly incurred for the purposes of Section 554 and will rank ahead of claims other than the claims of creditors secured by a mortgage, charge, lien or other encumbrance of a fixed nature or a pledge. Nonetheless, if the court sanctions borrowings by an examiner as part of the expenses of the examiner pursuant to Section 554, such borrowings will rank ahead of the claims of both unsecured and secured creditors (whether secured by fixed or floating security) of the company under court protection.

### *Financial Assistance*

The notes may only be guaranteed by an Irish Guarantor to the extent that it would not result in such guarantee constituting the giving of unlawful financial assistance under Section 82 of the 2014 Act.

### *Enforcement Process*

The guarantee of the notes by an Irish Guarantor may be subject to review under Irish law in the following circumstances:

- the Irish Guarantor, having become the subject of liquidation proceedings within six months (or two years if the guarantee is given in favor of anyone who is, in relation to the Irish Guarantor, a connected person) of issuing the guarantee, is made the subject of an application by the liquidator, on behalf of the Irish Guarantor, to the Irish courts to void the guarantee on the grounds that the issuance of the guarantee constituted a preference over other creditors at a time when the Irish Guarantor was insolvent;
- if the Irish Guarantor were wound up, the Irish courts, on the application of a liquidator or creditor, may, if it can be shown that the guarantee or any payments made thereunder constituted a fraud on the Irish Guarantor, order a return of payments made by the Irish Guarantor under the guarantee;
- if the guarantee is challenged on the grounds that there was no corporate benefit to the Irish Guarantor in entering into the guarantee; or
- the Irish Guarantor having become insolvent, or deemed likely to become insolvent, is made the subject of court protection under the examinership procedure (as discussed more fully above) and the court approves a scheme for the compromise of debts of the Irish Guarantor.

Under the laws of Ireland, a guarantee may only be issued where the entity issuing the guarantee receives sufficient commercial benefit for doing so. If there is insufficient commercial benefit, the beneficiary of the guarantee may not be able to rely on the authority of the directors of that entity to grant the guarantee and accordingly a court may set aside the guarantee at the request of the entity’s shareholders or a liquidator. In addition, in an insolvency of an Irish company, the claims of certain preferential creditors (including the Irish Revenue Commissioners for certain unpaid taxes) will rank in priority to claims of unsecured creditors. If the Irish Guarantor becomes subject to an insolvency proceeding and the Irish Guarantor has obligations to creditors that are treated under Irish law as creditors that are senior relative to the holders of the notes, the holders of the notes may suffer losses as a result of their subordinated status during such insolvency proceeding.

If a court voided the guarantee or any payment under the guarantee of the notes as a result of a fraudulent transfer or held it unenforceable for any other reason, the rights of holders of the notes under the guarantee would be undermined and such holders could cease to have any claim against the Irish Guarantor under its guarantee of the notes.

## The Netherlands

One guarantor, Hanes Netherlands Holdings B.V. (the “Dutch Guarantor”), is incorporated under the laws of the Netherlands.

The validity and enforceability of the obligations of the Dutch Guarantor under the notes may be successfully contested by a Dutch company (or its administrator (*bewindvoerder*) in suspension of payments or its receiver (*curator*) in bankruptcy) on the basis of an *ultra vires* claim, which will be successful if both (i) the obligations of the company do not fall within the scope of the objects clause as set out in the company’s articles of association (*doeloverschrijding*) and (ii) the company’s counterparty knew or ought to have known (without inquiry) of this fact. In determining whether a transaction is in furtherance of the objects and purposes of a Dutch company, a court will consider (i) the text of the objects clause in the company’s articles of association and (ii) all relevant circumstances including whether the granting of such security interest is in the company’s corporate interests (*vennootschappelijk belang*) and to its benefit and whether the company’s subsistence is jeopardized by the granting of such security interest. The mere fact that a certain legal act (*rechtshandeling*) is explicitly reflected in a Dutch company's objects clause may not be conclusive evidence that such legal act is not *ultra vires.*

In connection with the removal of the prohibition on financial assistance for Dutch private companies with limited liability as per 1 October 2012, it was mentioned in Dutch Parliament that the granting of security, providing of a guarantee or accepting of liability with a view to the acquisition (or the refinancing thereof) by any party of shares in the company's share capital or the shares of its (direct or indirect) parent company could, depending on the further circumstances, constitute ultra vires. At present, there is no Dutch case law on this subject.

A guarantee granted by a Dutch company and a security interest provided by a Dutch company may be suspended or avoided by the Enterprise Chamber of the Court of Appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*) on the motion of the holder or holders of 10% or more of the shares in such company or shares or depositary receipts issued therefor with a nominal value of € 225,000 or more or such lesser amount as provided in the company's articles of association. If the company has an issued share capital of at least €22.5 million, such motion may be made by a holder or holders of 1% or more of the shares in such company or, provided those are listed on a qualifying trading venue, shares or depositary receipts issued therefor with a value of € 20 million or more or such lesser amount as provided in the company's articles of association. A trade union and other entities entitled thereto in the articles of association of the relevant Dutch company may also submit a motion to the Enterprise Chamber for this purpose. The guarantee or security itself may further be upheld by the Enterprise Chamber, yet actual payment under it may be suspended or avoided.

Under Dutch law, any creditor of the Dutch Guarantor or its receiver (*curator*) may nullify any transaction or legal act entered into by the Dutch Guarantor in connection with the notes, under certain circumstances, if (i) the transaction or legal act entered into by the Dutch Guarantor in connection with the notes was conducted without prior existing legal obligation to do so (*onverplicht*), (ii) the creditor(s) concerned or, in the case of its/their bankruptcy, any creditor was prejudiced as a consequence of such transactions or legal act (irrespective of whether a creditor's claim arose prior to or after such transactions) and (iii) at the time of the issuance of the notes, or any other transaction or legal act entered into by the Dutch Guarantor in connection with the notes was conducted, unless the transactions were conducted for no consideration (*om niet*), the counterparty knew or should have known that one or more of the entities' creditors (existing or future) would be prejudiced (*actio pauliana*). A receiver (*curator*) may nullify a transaction on behalf of and for the benefit of the joint insolvent debtor's creditors, and the burden of proof of the abovementioned elements of fraudulent conveyance in principle rests on the receiver. Knowledge of prejudice is however presumed by law for certain transactions performed within a "suspect period" of one year prior to an adjudication of bankruptcy. This is applicable for certain transactions only, the most important application being in cases where the obligations of the bankrupt materially exceed those of the other party, the satisfaction of existing obligations of the bankrupt which are not yet due, and acts between the bankrupt and its counterparty when the shares in both are held (indirectly) by the same shareholder or if the bankrupt and its counterparty are part of the same group of companies. The foregoing requirements for invoking fraudulent transfer provisions outside of a bankruptcy apply *mutatis mutandis* when invoking fraudulent transfer provisions during a bankruptcy. In addition, the receiver may challenge a transaction if it was conducted on the basis of a prior existing legal obligation to do so (*verplichte rechtshandeling*), if (i) the transaction was conducted at a time when the counterparty knew that a request for bankruptcy had been filed, or (ii) if such transaction was conducted as a result of deliberation between the debtor and the counterparty with a view to giving preference to the counterparty over the debtor's other creditors. Consequently, the validity of any such transactions conducted by a Dutch legal entity may be challenged and it is possible that such a challenge would be successful.

In the event that the Dutch Guarantor experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Dutch Guarantor.

The enforceability of the obligations of the Dutch Guarantor may also be limited under the 1977 Sanction Act (*Sanctiewet 1977*) or otherwise by international sanctions

***Insolvency Laws***

The Dutch Guarantor is incorporated under Dutch law. Accordingly, where the Dutch Guarantor has its "center of main interests" or an "establishment in the Netherlands", it may be subject to Dutch insolvency proceedings governed by Dutch insolvency laws, subject to certain exceptions as provided for in the EU Insolvency Regulation (no. 1346/2000/EC).

There are two applicable corporate insolvency regimes under Dutch law: (a) suspension of payments (*surseance van betaling*), which is intended to facilitate the reorganization of a debtor's debts and enable the debtor to continue as a going concern, and (b) bankruptcy (*faillissement*), which is primarily designed to liquidate and distribute the debtor's assets to its creditors. Bankruptcy is the most commonly used insolvency regime and may result in the transfer of parts of the company as a going concern. A suspension of payments almost always results in the debtor's bankruptcy. Both insolvency regimes are set forth in the Dutch Bankruptcy Act (*Faillissementswet*).

Only the debtor can make an application for a suspension of payments, and only if it foresees that it will be unable to continue to pay its payable debts. Once the application has been filed, a court will immediately (*dadelijk*) grant a provisional suspension of payments and appoint one or more administrators (*bewindvoerders*). A meeting of creditors is required to decide on the definitive suspension of payments, but it will generally be granted, unless a qualified minority (i.e., more than one-quarter of the amount of claims held by creditors represented at the creditors' meeting or more than one-third of the number of creditors of the amount of claims held by creditors) of the unsecured, non-preferential, creditors declare against it or if there is a valid fear that the debtor will try to prejudice the creditors during a suspension of payments or if there is no prospect that the debtor will be able to satisfy its creditors in the (near) future. A suspension of payments will only affect unsecured, non-preferential creditors.

Under Dutch law, a debtor can be declared bankrupt when it has ceased to pay its debts. Bankruptcy can be requested by a creditor of a claim when there is at least one other creditor. At least one of the claims (of the creditor requesting bankruptcy or the other creditor) needs to be due and payable. The debtor can also request the application of bankruptcy proceedings itself. Furthermore, the Public Prosecution Service (*het Openbaar Ministerie*) can request the application of bankruptcy proceedings for reasons of public interest (*openbaar belang*). In Dutch bankruptcy proceedings, a debtor's assets are generally liquidated and the proceeds distributed to the debtor's creditors according to the relative priority of those creditors' claims and, to the extent certain creditors' claims have equal priority, in proportion to the amount of such claims. Certain parties, such as secured creditors, will benefit from special rights.

Secured creditors, such as pledgees and mortgagees, may enforce their rights separately from suspension of payments or bankruptcy and do not have to contribute to the liquidation costs; however, enforcement of the security interest might be subject to the following: (a) a statutory stay of execution of up to two months extendable by another period of up to two months imposed by court order pursuant to articles 63a of the Dutch Bankruptcy Act (*Faillissementswet*); (b) a receiver (*curator*) can force a secured party to foreclose its security interest within a reasonable time (as determined by the receiver pursuant to Article 58(1) of the Dutch Bankruptcy Act), failing which the receiver will be entitled to sell the relevant rights or assets and distribute the proceeds to the secured party after a deduction of liquidation costs; and (c) excess proceeds of enforcement must be returned to the company's receiver and may not be offset against an unsecured claim of the company's secured creditor.

Unlike Chapter 11 proceedings under U.S. bankruptcy law, where both secured and unsecured creditors are generally barred from seeking to recover on their claims, suspension of payment and bankruptcy proceedings against the Dutch Guarantor would allow secured creditors (and in case of suspension of payments also preferential creditors (including tax and social security authorities)) to satisfy their claims by proceeding against the assets (that secure their claims) as if there were no bankruptcy or suspension of payments. However, a statutory stay of execution of up to two months, extendable by another period of up to two months, may be declared applicable. Furthermore, certain preferred creditors have a preference by virtue of law. Unlike secured creditors, preferred creditors are not entitled to foreclose on assets of the bankrupt. They do have priority in the distribution of the proceeds of the bankrupt's assets.

Remaining amounts, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors, who will in principle be satisfied on a pro rata basis. Contractual subordination will be given effect in Dutch insolvency proceedings. However, the actual effect depends largely on the way such subordination is construed. In exceptional circumstances, a compulsory plan of composition may limit the contractual subordination.

Restrictions on the enforcement of security interests may apply. For instance, higher ranking rights must be respected. These may include secured creditors and tax and social security authorities. A statutory stay of execution of security rights and other rights of up to two months, extendable by another period of up to two months, may be imposed. Further, a receiver in bankruptcy can force a secured creditor to enforce its security interest within a reasonable period of time. If such time is not met, the receiver will be entitled to sell the secured assets, if any, and the secured creditor will have a preferred claim in respect of the proceeds, meaning that the secured creditor will have to share in the bankruptcy costs, which may be significant. Excess proceeds of any enforcement must be returned to the bankrupt estate; they may not be set-off against an unsecured claim of the secured creditor. Such set-off may be allowed prior to the bankruptcy, although at that time it may be subject to clawback in the case of fraudulent conveyance or bad faith in obtaining the claim used for set-off.

Any pending executions of judgments against the debtor will be suspended by operation of law when suspension of payments is granted and terminate by operation of law when bankruptcy is declared. In addition, all attachments on the debtor's assets will cease to have effect upon the suspension of payments having become definitive, a composition having been ratified by the court or the declaration of bankruptcy (as the case may be) subject to the ability of the court to set an earlier date for such termination. Litigation pending on the date of the bankruptcy order is automatically stayed.

Both in a definitive suspension of payments and bankruptcy, a composition (*akkoord*) may be offered to creditors. A composition will be binding for all unsecured and non-preferential creditors if it is: (i) approved by a simple majority (*gewone meerderheid*) of the number of creditors represented at the creditors' meeting, representing at least 50% of the amount of the claims that are acknowledged and conditionally admitted, and (ii) subsequently ratified (*gehomologeerd*) by the court. Consequently, Dutch insolvency law could preclude or inhibit the ability of the holders of the notes to effect a restructuring and could reduce the recovery of a holder of notes in a Dutch suspension of payments proceeding or bankruptcy. Interest accruing after the date on which a suspension of payments or bankruptcy is granted, cannot be claimed in a composition.

All unsecured, pre-bankruptcy claims will have to be verified in the insolvency proceedings in order to be entitled to vote and, in a bankruptcy liquidation, to be entitled to distributions. "Verification" under Dutch law means, in the case of a suspension of payments, that the treatment of a disputed claim for voting purposes is determined and, in the case of a bankruptcy, the unsecured, pre-bankruptcy claims are submitted to a receiver for verification, and the receiver then makes a determination as to the claim's existence, ranking and value and whether and to what extent it should be admitted in the bankruptcy proceedings (for voting). In the situation of bankruptcy, creditors that wish to dispute the receiver's verification of their claims will be referred to a claim validation proceeding (*renvooiprocedure*) in order to establish the amount and rank of the disputed claim, while in suspension of payments the court will decide how a disputed claim will be treated for voting purposes. These procedures could cause holders of notes to recover less than the principal amount of their notes or less than they could recover in a U.S. liquidation proceeding. The *renvooi* proceedings could also cause payments to the holders of notes to be delayed. Interest on the notes accruing after the bankruptcy order date cannot be admitted unless secured by a pledge or mortgage, in which case interest will be admitted pro memoria. To the extent that an interest is not covered by the proceeds of the security, the creditor may not derive any rights from the admission. No interest is payable in respect of unsecured claims as of the date of a bankruptcy.

## Legal Matters

The validity of the notes and the guarantees will be passed upon for us by King & Spalding LLP, Atlanta, Georgia. The validity of the notes will be passed upon for the initial purchasers by Simpson Thacher & Bartlett LLP, New York, New York.

## Independent Registered Public Accounting Firm

The financial statements as of January 2, 2016 and January 3, 2015 and for each of the three years in the period ended January 2, 2016 included in this offering memorandum, and the effectiveness of internal control over financial reporting as of January 2, 2016, have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing herein.

## Where You Can Find More Information

We are subject to the informational requirements of the Exchange Act. Accordingly, we file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at *www.sec.gov*, from which interested persons can electronically access our SEC filings.

You may request a copy of any of these filings, at no cost, by request directed to us at the following address or telephone number:

Hanesbrands Inc.
1000 East Hanes Mill Road
Winston-Salem, North Carolina 27105
Attention: Corporate Secretary
Telephone: (336) 519-8080

You can also find these filings on our website at *www.hanes.com/investors*. Our website and the information contained or accessible through our website is not part of this offering memorandum, and you should rely only on the information contained in this offering memorandum when making a decision as to whether to invest in the notes.

You should not assume that the information in this offering memorandum is accurate as of any date other than its date. Our business, financial condition, results of operations and prospects may have changed since that date.

## Service of Process and Enforcement of Judgments

The Issuer is a company incorporated under the laws of Luxembourg. Certain guarantors are organized under the laws of the British Virgin Islands, the Cayman Islands, France, Hong Kong, Ireland, Luxembourg and the Netherlands. The indenture (including the guarantees) and the notes will be governed by New York law.

Some of the directors and executive officers of the Issuer and each of the guarantors are non-residents of the United States. Since some of the assets of the Issuer and each of the non-U.S. guarantors, and its and their directors and executive officers, are located outside the United States, any monies owed under a judgment obtained in the United States against the Issuer or a non-U.S. guarantor or any such other non-U.S. resident person, including judgments with respect to the payment of principal, premium (if any) and interest on the notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States.

Furthermore, although the Issuer and each of the non-U.S. guarantors will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the notes and the indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on us or on such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws, whilst such appointments are effective. It may be possible for investors to effect service of process within other jurisdictions upon those persons, the Issuer or the non-U.S. guarantors provided that, for example, The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

If a judgment is obtained in a U.S. court against the Issuer or a non-U.S. guarantor or any of their directors or executive officers, investors will need to enforce such judgment in jurisdictions where the relevant defendant has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for certain non-U.S. jurisdictions, you should consult with your own advisers in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

### Luxembourg

The United States and Luxembourg are not currently bound by a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters, other than arbitral awards rendered in civil and commercial matters. A valid, final and conclusive judgment rendered by a U.S. court against a Luxembourg Obligor with respect to the notes needs to obtain an exequatur by a Luxembourg District Court (*Tribunal d'arrondissement*) before it can be enforced by a bailiff. The Luxembourg ordinary law principles (*droit commun*), that will be applicable to grant an exequatur of such U.S. court order, have been determined by case law on the basis of articles 678 et seq. of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*). The following conditions must be met:

- the U.S. court must have had proper jurisdiction to hear and determine the matter, both according to its own rules on territorial and personal jurisdiction and to the Luxembourg international private law conflict of jurisdiction rules;
- the U.S. court must have applied the law which is designated by the Luxembourg conflict of laws rules or, at least, the order must not contravene the principles underlying those rules. Based on recent case law and legal doctrine, it is not certain that this condition would still be required for an exequatur to be granted by a Luxembourg court;
- the decision of the foreign court must be enforceable (*exécutoire*) in the jurisdiction in which it was rendered;

- the U.S. court must have applied the proper law to the matter submitted to it and the foreign procedure must have been regular in light of the laws of the country of origin;
- the decision of the U.S. court must not have been obtained by fraud, but in compliance with the rights of the defendant and in compliance with its own procedural laws; and
- the decisions and the considerations of the U.S. court must not be contrary to Luxembourg international public policy rules or have been given in proceedings of a tax or criminal nature or rendered subsequent to an evasion of Luxembourg law (*fraude à la loi*). It cannot be excluded that awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, which are classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages, would not be recognized by Luxembourg courts). Ordinarily an award of monetary damages would not be considered as a penalty, but if the monetary damages include punitive damages such punitive damages may be considered as a penalty.

If an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law (i) if the choice of such foreign law was not made bona fide, (ii) if the foreign law was not pleaded and proved or (iii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg's international public policy. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought. While, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than euro, a Luxembourg court would have power to give a judgment expressed as an order to pay a currency other than euro, enforcement of the judgment against any party in Luxembourg would be available only in euro and for such purposes all claims or debts would be converted into euro.

### British Virgin Islands

#### *Enforcement of Judgments of the United States Federal and State Courts*

The courts of the British Virgin Islands will not necessarily enter judgments in original actions brought in courts predicated on U.S. federal or state securities laws. Additionally, there is no statutory enforcement in the British Virgin Islands of judgments obtained in the United States; however, the courts of the British Virgin Islands will in certain circumstances recognize such a foreign judgment and treat it as a cause of action in itself, which may be sued upon as a debt at common law so that no retrial of the issues would be necessary, provided that:

- the U.S. court issuing the judgment had jurisdiction in the matter and the company subject to the judgment either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
- the judgment given by the U.S. court is final and for a liquidated sum and has not been wholly satisfied;
- the judgment given by the U.S. court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the company subject to the judgment;
- in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the court;
- recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy or for some other similar reason; and
- the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

In appropriate circumstances, the British Virgin Islands court may give effect in the British Virgin Islands to other kinds of final US judgments such as declaratory orders, orders for performance of contracts and injunctions. The above will also apply to the enforcement of judgments obtained in most other foreign courts outside the British Virgin Islands, except for judgments obtained in the High Court of England and Wales and those certain other jurisdictions, which enjoy the British Virgin Islands statutory enforcement regime as set forth below.

***Enforcement of Judgments of High Court of England and Wales and Certain Other Jurisdictions***

Any final and conclusive monetary judgment obtained against a person in the High Court of England and Wales or in the courts of Scotland, Barbados, Belize, Guyana, St Vincent, Jamaica, Nigeria, Northern Ireland, Bahamas, Bermuda, Trinidad & Tobago, St Lucia, Grenada and New South Wales (Australia) for a definite sum may be registered and enforced as a judgment of the British Virgin Islands court pursuant to the Reciprocal Enforcement of Judgments Act 1922, provided that (i) application is made for registration of the judgment within twelve months of its date or such longer period as the British Virgin Islands court may allow, (ii) the person against whom judgment was obtained is not appealing or does not have the right or intention to appeal and (iii) the British Virgin Islands court considers it just and convenient that the judgment be so enforced.

If not registered, the judgment may be treated as a debt upon which the foreign judgment debtor may bring an action so that no retrial of the underlying issues giving rise to the original judgment would be necessary. In that case, it would be necessary that the judgment (not being in respect of penalties, fines, taxes or similar fiscal or revenue obligations of the company in question) (i) is final, for a liquidated sum, (ii) was not obtained in a fraudulent manner, (iii) is not of a kind the enforcement of which is contrary to the public policy in the British Virgin Islands or for some other similar reason, (iv) is not contrary to the principles of natural justice. Furthermore, it would be necessary that the relevant courts had jurisdiction in the matter and the person against whom it was obtained either submitted to such jurisdiction, was resident or carrying on business within such jurisdiction, and was duly served with process. In appropriate circumstances, a British Virgin Islands court may give effect in the British Virgin Islands to other kinds of final foreign judgments, such as declaratory orders, orders for performance of contracts and injunctions.

**Cayman Islands**

The United States and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Although there is no statutory enforcement in the Cayman Islands of judgments obtained in New York or other states in the United States, a judgment obtained in such jurisdictions may be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment: (i) is final and conclusive, (ii) is one in respect of which the foreign court had jurisdiction over the defendant according to Cayman Islands conflict of law rules, (iii) is either for a liquidated sum not in respect of penalties or taxes or a fine or similar fiscal or revenue obligations and (iv) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. There is doubt, however, as to whether the courts of the Cayman Islands will:

(i) recognize or enforce judgments of U.S. courts based on the civil liability provisions of the securities laws of the United States or any state thereof; or

(ii) in original actions brought in the Cayman Islands, impose liabilities upon the civil liability provisions of the securities laws of the United States or any state thereof,

in each case, on the grounds that such provisions are penal in nature.

A Cayman Islands court may also stay local proceedings if concurrent proceedings are being brought elsewhere.

**France**

The following is a summary of certain legal aspects of French law regarding the enforcement of civil law entitlements in connection with the notes against a French entity and/or a French person.

The Issuer has been advised by its French legal advisers, that the United States and France are not parties to a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. Federal or State court based on civil liability, whether or not predicated solely upon U.S. Federal or State securities laws, enforceable in the United States, would not directly be recognised or enforceable in France.

A party in whose favour such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*) that has exclusive jurisdiction over such matter.

Enforcement in France of such U.S. judgment could be obtained following proper (i.e., *non-ex parte*) proceedings if such U.S. Judgment is enforceable in the United States and if the French civil court is satisfied that the following cumulative conditions have been met (which conditions, under prevailing French case law as of the date of this Offering Memorandum, do not include a review by the French civil court of the merits of the foreign judgment):

- such U.S. judgment is enforceable in the jurisdiction of the court that rendered it;
- such U.S. judgment was rendered by a court having jurisdiction over the matter because the dispute is clearly connected to the jurisdiction of such court (for example, there was no international forum shopping), the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case including particularly fair trial rights;
- such U.S. judgment is not tainted with fraud under French law; and
- such U.S. judgment does not conflict with a French judgment or a Foreign judgment which has become effective in France and there are no proceedings pending before French courts at the time of enforcement of the judgment is sought and having the same or similar subject matter as such U.S. judgment.

In addition to these conditions, it is well established that only final and binding foreign judicial decisions, i.e. those having a *res judicata* effect, can benefit from an *exequatur* under French law.

If the French civil court is satisfied that such conditions are met, the U.S. judgment is likely to benefit from the *res judicata* effect as of the date of the decision of the French civil court and is thus likely to be declared enforceable in France. However, the decision granting the *exequatur* is subject to appeal.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68-678 of July 26, 1968, as modified by French law No. 80-538 of July 16, 1980 and French order No. 2000-916 of September 19, 2000 (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from any French person in connection with a judicial or administrative U.S. action. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) and French procedural rules to obtain evidence in France or a French person.

Similarly, French data protection rules (French law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as most recently modified by French law No. 2016-41 of January 26, 2016 and French order No. 2016-462 dated April 14, 2016) can limit under certain circumstances the possibility of obtaining information in France or from a French person in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply provisions of Foreign law as designated by the applicable French rules of conflict or as chosen by the parties to govern their contract if the application of such law (in the case at hand) is deemed to contravene French international public policy (as determined on a case-by-case basis by French courts). Furthermore, in an action brought in France on the basis of U.S. Federal or State securities laws, French courts may not have the requisite power to grant all the sought remedies

Pursuant to Articles 14 and 15 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with French persons. Pursuant to Article 15 of the French Civil Code, a French national can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant (Article 15). For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against his or her will to appear before a jurisdiction other than French courts. However, according to recent case law, the French courts' jurisdiction over French nationals is no longer mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. In addition, a French national may waive his or her rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

The French Supreme Court (*Cour de cassation*) has held on September 26, 2012 (decision No. 11-26.022) that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid on the ground that it was discretionary (*potestative*). Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts. This ruling does not apply to choice of courts provisions designating arbitration tribunals.

**Hong Kong**

Generally, a U.S. court judgment may be enforced in the Hong Kong courts, provided that it:

- is not barred from enforcement by or in breach of the provisions of the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance (Cap. 46 of the laws of Hong Kong);
- requires the defendant to pay a definite sum of money (other than a sum payable in respect of taxes or penalties) to the plaintiff;
- is under common law principles recognized by the Hong Kong courts including (without limitation) the requirement that the judgment be final and conclusive on the merits;
- was not obtained by fraud, misrepresentation or mistake or obtained in proceedings which contravene the rules of natural justice under Hong Kong law;
- is not contrary to the public policy of Hong Kong (as currently applied by the courts of Hong Kong);
- is in relation to commercial transactions in which the plaintiff has acted in a private or commercial capacity;
- is rendered by a court of competent jurisdiction (as determined by Hong Kong jurisdictional rules);
- is not impeachable according to the rules on conflict of laws in Hong Kong; and
- is enforced within six years after the date of the judgment.

The above list is not exhaustive and additional factors may be relevant from case to case. Further, there is doubt as to the enforceability in Hong Kong of U.S. court judgments predicated solely upon U.S. federal or state securities laws. This doubt reflects the possibility that a claim could be made predicated on U.S. federal or state securities laws which on enforcement proceedings would be characterized as a direct or indirect sanction of the U.S. state and therefore penal in nature.

## Ireland

One of the Guarantors is incorporated under the laws of Ireland and substantially all of the assets of the said Guarantor may be located outside the United States. Although said Guarantor has appointed an agent for service of process in the United States, said Guarantor and the Issuer have been advised that it may not be possible to enforce court judgments obtained in the United States in Ireland, based on the civil liability provisions of the U.S. federal or state securities laws. Said Guarantor and the Issuer have also been advised that there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts based on the civil liabilities provisions of the U.S. federal or state securities laws or hear actions based on those laws.

We have been advised that the United States currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

A judgment of the U.S. courts will be enforced by the Irish courts if the following general requirements are met: (i) the procedural rules of the U.S. court must have been observed and the U.S. court must have had jurisdiction in relation to the particular defendant according to Irish conflict of law rules (the submission to jurisdiction by the defendant would satisfy this rule); and (ii) the judgment must be final and conclusive and the decree must be final and unalterable in the court which pronounces it. A judgment can be final and conclusive even if it is subject to appeal or even if an appeal is pending. Where however, the effect of lodging an appeal under the applicable law is to stay execution of the judgment, it is possible that, in the meantime, the judgment should not be actionable in Ireland. It remains to be determined whether final judgment given in default of appearance is final and conclusive.

However, the Irish courts may refuse to enforce a judgment of the U.S. courts which meets the above requirements for one of the following reasons: (a) if the judgment is not for a definite sum of money; (b) if the judgment was obtained by fraud; (c) if the enforcement of the judgment in Ireland would be contrary to natural or constitutional justice; (d) if the judgment is contrary to Irish public policy or involves certain United States laws which will not be enforced in Ireland; or (e) if jurisdiction cannot be obtained by the Irish courts over the judgment debtors in the enforcement proceedings by personal service in Ireland or outside Ireland under Order 11 of the Superior Courts Rules.

## Netherlands

The Dutch Guarantor is incorporated under Dutch law and has its registered seat in the Netherlands. None of the directors of the Dutch Guarantor reside in the United States and a substantial amount of the Dutch Guarantors assets are located outside of the United States. Civil liabilities based on the securities laws of the United States may not be enforceable in the Netherlands, either in an original action or in an action to enforce a judgment obtained in U.S. courts.

The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not be enforceable in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be re-litigated before a competent Dutch court. A Dutch court will, under current practice, generally grant the same judgment without re-litigation on the merits (i) if that judgment results from legal proceedings compatible with Dutch notions of due process, (ii) if that judgment does not contravene public policy (*openbare orde*) of the Netherlands, (iii) if the jurisdiction of the relevant federal or state court in the United States has been based on internationally accepted principles of private international law and (iv) the judgment by the court is not incompatible with a judgment rendered between the same parties by a Dutch court, or with an earlier judgment rendered between the same parties by a non-Dutch court in a dispute that concerns the same subject and is based on the same cause, provided that the earlier judgment qualifies for recognition in the Netherlands.

Subject to the foregoing and provided that service of process occurs in accordance with applicable treaties, investors may be able to enforce judgments in civil and commercial matters obtained from U.S. federal or state courts in the Netherlands. However, no assurance can be given that such judgments will be enforceable. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon U.S. federal securities laws.

## Listing and General Information

### Listing

Application will be made to the Luxembourg Stock Exchange for the notes to be listed on the Official List and to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market in accordance with the rules of that exchange. There are no assurances that the notes will be admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market. The Issuer may choose to apply to list the notes on another recognized stock exchange or may, at any time, upon the good faith determination of the parent guarantor's senior management that the ongoing reporting requirements of the Luxembourg Stock Exchange are overly burdensome (including, for the avoidance of doubt, more burdensome than the parent guarantor's reporting requirements under the Exchange Act) to the Issuer, determine that it will not maintain such listing and may instead seek to obtain a listing of such notes on another recognized stock exchange. Nothing in this offering memorandum shall obligate the Issuer to list the notes, and there can be no assurance that an application to list the notes will be approved. Settlement of the notes is not conditioned on obtaining such listing.

So long as the notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will make available the notices to the public in written form at places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange, *www.bourse.lu*, or by other means considered equivalent by the Luxembourg Stock Exchange.

For so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market and the rules of that exchange require, copies of the following documents (together with English translations thereof) may be inspected and obtained free of charge by noteholders at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- the organizational documents in English of the Issuer, the Parent and the other guarantors;
- the indenture (which includes the form of the notes and the guarantee); and
- the Issuer's most recent annual financial statements and any interim consolidated financial statements published by it.

We will maintain a paying agent in London for as long as any of the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market. We reserve the right to vary such appointment.

The issuance of the notes was authorized by the Issuer on May 16, 2016 in accordance with the resolutions validly adopted by issuer's general partner, Hanesbrands GP Luxembourg S.à r.l.

Except as disclosed in this offering memorandum:

- there has been no material adverse change in our financial position since January 2, 2016; and
- we have not been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts, which are material in the context of the issue of the notes, and, so far as we are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

### The Issuer and the Guarantors

#### *The Issuer*

The Issuer has an issued and outstanding share capital of $60,000 divided into 59,999 ordinary shares and one unlimited share with a nominal value of $1 each.

*The Guarantors*

As of the date of this offering memorandum, the guarantors have duly authorized the granting of the guarantees. Such authorizations were granted by each guarantor's shareholders, board of directors or board of managers, as required by the jurisdiction of its incorporation.

The corporate information of the guarantors is as follows:

- ***Maidenform (Asia) Limited***, a BVI business company, incorporated under the laws of the British Virgin Islands, having its registered office at Offshore Incorporations Limited, P.O. Box 957, Road Town, Tortola, British Virgin Islands and registered with the BVI Registry of Corporate Affairs under number 519633, and which is indirectly wholly owned by the parent guarantor.
- ***Choloma, Inc.***, an exempted company incorporated with limited liability under the laws of the Cayman Islands, having its registered office at Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and registered with the Cayman Islands Registrar of Companies under number 110657, and which is indirectly wholly owned by the parent guarantor.
- ***Hanesbrands Dos Rios Textiles, Inc.***, an exempted company incorporated with limited liability under the laws of the Cayman Islands, having its registered office at Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and registered with the Cayman Islands Registrar of Companies under number 139571, and which is indirectly wholly owned by the parent guarantor.
- ***Hanesbrands Direct, LLC***, a limited liability company organized under the laws of the State of Colorado having its registered office at c/o Corporation Service Company, 1560 Broadway, Suite #2090, Denver, Colorado 80202 and registered with the Colorado Secretary of State under file number 20031397529.
- ***BA International, L.L.C.***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 3988610.
- ***Caribesock, Inc.***, a corporation organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 3044828.
- ***Caribetex, Inc.***, a corporation organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 2729373.
- ***CASA International, LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 4104874.
- ***CC Products LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 3382784.
- ***Ceibena Del, Inc.***, a corporation organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 2766652.

- ***Event 1 LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 5986123.
- ***GearCo LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 4251901.
- ***GFSI Holdings LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 2698697.
- ***GFSI LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 2706842.
- ***Hanes Menswear, LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 794055.
- ***Hanes Puerto Rico, Inc.***, a corporation organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 2230260.
- ***Hanesbrands Distribution, Inc.***, a corporation organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 3503925.
- ***Hanesbrands Export Canada LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 5338751.
- ***HBI Branded Apparel Enterprises, LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 4174023.
- ***HBI Branded Apparel Limited, Inc.***, a corporation organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 4193156.
- ***HBI International, LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 4104877.
- ***HBI Sourcing, LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington,

County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 3626304.

- ***Inner Self LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 3320820.
- ***Knights Apparel LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 3803422.
- ***Knights Holdco LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 5003548.
- ***Maidenform (Bangladesh) LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 4692483.
- ***Maidenform Brands LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 3776220.
- ***Maidenform LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 5436168.
- ***Maidenform (Indonesia) LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 3699181.
- ***Maidenform International LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 5419052.
- ***MF Retail LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 3173897.
- ***Playtex Dorado, LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 811528.
- ***Playtex Industries, Inc.***, a corporation organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 2176549.

- ***Seamless Textiles, LLC***, a limited liability company organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 2567824.
- ***UPCR, Inc.***, a corporation organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 2760947.
- ***UPEL, Inc.***, a corporation organized under the laws of the State of Delaware having its registered office at c/o Corporation Service Company, 2711 Centerville Road, Suite #400, Wilmington, County of New Castle, Delaware 19808 and registered with the Secretary of State of the State of Delaware under file number 2760946.
- ***Hanes Central Services Europe S.A.S.*** (formerly known as DBApparel), a simplified limited liability company (*société par actions simplifiée*), organized and existing under the laws of France, having its registered office at 2 rue des Martinets, 92500 Rueil-Malmaison, France and registered with the Commercial and Companies Registry (*Registre du Commerce et des Sociétés*) of Nanterre under number 484 263 538, and which is indirectly wholly owned by the parent guarantor.
- ***Hanes France S.A.S.*** (formerly known as DIM), a simplified limited liability company (*société par actions simplifiée*), organized and existing under the laws of France, having its registered office at 2 rue des Martinets, 92500 Rueil-Malmaison, France and registered with the Commercial and Companies Registry (*Registre du Commerce et des Sociétés*) of Nanterre under number 488 727 298, and which is indirectly wholly owned by the parent guarantor.
- ***Hanes Finance Europe S.A.S.*** (formerly known as DIM Finance), a simplified limited liability company (*société par actions simplifiée*), organized and existing under the laws of France, having its registered office at 2 rue des Martinets, 92500 Rueil-Malmaison, France and registered with the Commercial and Companies Registry (*Registre du Commerce et des Sociétés*) of Nanterre under number 391 620 309, and which is indirectly wholly owned by the parent guarantor.
- ***Hanes Operations Europe S.A.S.*** (formerly known as DBApparel Operations), a simplified limited liability company (*société par actions simplifiée*), organized and existing under the laws of France, having its registered office at 2 rue des Martinets, 92500 Rueil-Malmaison, France and registered with the Commercial and Companies Registry (*Registre du Commerce et des Sociétés*) of Nanterre under number 485 016 927, and which is indirectly wholly owned by the parent guarantor.
- ***Hanesbrands Apparel (Hong Kong) Limited***, a private company limited by shares, organized and existing under the laws of the Hong Kong Special Administrative Region of the People's Republic of China, having its registered office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and registered with the Companies Registry of Hong Kong under number 2090059, and which is indirectly wholly owned by the parent guarantor.
- ***Hanesbrands Corporate Services (Hong Kong) Limited***, a private company limited by shares, organized and existing under the laws of the Hong Kong Special Administrative Region of the People's Republic of China, having its registered office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and registered with the Companies Registry of Hong Kong under number 2090060, and which is indirectly wholly owned by the parent guarantor.
- ***Maidenform Brands International Limited***, a limited liability company, organized and existing under the laws of Ireland, having its registered office at Bay B1 Shannon Industrial Estate, Shannon, Co. Clare, Ireland and registered with the Irish Companies Registration Office under number 462799, and which is indirectly wholly owned by the parent guarantor.

- ***Hanes Commercial Europe S.à r.l.***, a *société à responsabilité limitée* incorporated under the laws of Luxembourg, whose registered office is at 33, Rue du Puits Romain, L - 8070 Bertrange and which is registered with the Luxembourg Trade and Companies' Register under number B 111.182.
- ***Hanes Global Holdings Luxembourg S.à r.l.***, a *société à responsabilité limitée* incorporated under the laws of Luxembourg, whose registered office is at 33, Rue du Puits Romain, L - 8070 Bertrange and which is registered with the Luxembourg Trade and Companies' Register under number B 202.681.
- ***Hanes Global Supply Chain Europe S.à r.l.,*** a *société à responsabilité limitée* incorporated under the laws of Luxembourg, whose registered office is at 33, Rue du Puits Romain, L - 8070 Bertrange and which is registered with the Luxembourg Trade and Companies' Register under number B 111.221.
- ***Hanes Holdings Lux S.à r.l.***, a *société à responsabilité limitée* incorporated under the laws of Luxembourg, whose registered office is at 33, Rue du Puits Romain, L - 8070 Bertrange and which is registered with the Luxembourg Trade and Companies' Register under number B 111.180.
- ***Hanes IP Europe S.à r.l.***, a *société à responsabilité limitée* incorporated under the laws of Luxembourg, whose registered office is at 33, Rue du Puits Romain, L - 8070 Bertrange and which is registered with the Luxembourg Trade and Companies' Register under number B 111.181.
- ***MFB International Holdings S.à r.l.***, a *société à responsabilité limitée* incorporated under the laws of Luxembourg, whose registered office is at 33, Rue du Puits Romain, L - 8070 Bertrange and which is registered with the Luxembourg Trade and Companies' Register under number B 182.082.
- ***Hanesbrands GP Luxembourg S.à r.l.***, a *société à responsabilité limitée* incorporated under the laws of Luxembourg, whose registered office is at 33, Rue du Puits Romain, L - 8070 Bertrange and which is currently in the process of being registered with the Luxembourg Trade and Companies' Register.
- ***Hanesbrands Inc.***, a corporation organized under the laws of the State of Maryland having its registered office at c/o CSC-Lawyers Incorporating Service Company, 7 St. Paul Street, Suite #280, Baltimore, Maryland 21202 and registered with the Maryland Department of Assessments & Taxation under file number D10884971.
- ***Hanes Netherlands Holdings B.V.***, a private limited liability company *(besloten vennootschap met beperkte aansprakelijkheid)*, incorporated and existing under Dutch law, having its registered office at Brinklaan 109, Unit 3, (1404 GA), Bussum, the Netherlands and registered with the Dutch chamber of commerce under number 33288831, and which is indirectly wholly owned by the parent guarantor.

**Clearing Information**

Notes sold in reliance on Rule 144A of the Securities Act have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under common code and ISIN .

Notes sold in compliance with Regulation S and of the Securities Act have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under common code and ISIN .

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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.

## 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

**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.

## 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.

## 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.

## 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 and other | 3,012 | 30 | (33,765) | — | — | (33,735) |
| 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.

# 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.

## (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.

*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.

### *(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 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 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.

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 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.

**(amounts in thousands, except per share data)**

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.

(amounts in thousands, except per share data)

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

| | |
|---|---|
| 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.

**(amounts in thousands, except per share data)**

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.

## (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.

(amounts in thousands, except per share data)

## (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 |

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:

(amounts in thousands, except per share data)

| | 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.

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

(amounts in thousands, except per share data)

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.

(amounts in thousands, except per share data)

## (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 |

## (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.

(amounts in thousands, except per share data)

## (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 | Principal Amount 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 | |

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.

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%.

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 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.

### *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.

(amounts in thousands, except per share data)

## (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 |

| | 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 |

**(amounts in thousands, except per share data)**

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) |
| Amounts reclassified from accumulated other comprehensive loss | — | (1,113) | 10,417 | (3,709) | 5,595 |
| 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) |

**(amounts in thousands, except per share data)**

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 |

(amounts in thousands, except per share data)

### *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.

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 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.

**(amounts in thousands, except per share data)**

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 |

(amounts in thousands, except per share data)

| | 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.

(amounts in thousands, except per share data)

## (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.

(amounts in thousands, except per share data)

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 in thousands, except per share data)

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 |

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.

(amounts in thousands, except per share data)

***(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.

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.

(amounts in thousands, except per share data)

### *(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.

## (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.

**(amounts in thousands, except per share data)**

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.

**(amounts in thousands, except per share data)**

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.

**(amounts in thousands, except per share data)**

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.

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 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.
- 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.

(amounts in thousands, except per share data)

- 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

(amounts in thousands, except per share data)

$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 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 |

(amounts in thousands, except per share data)

(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.

## (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 |

(amounts in thousands, except per share data)

## (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.

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 |

# 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)

**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 |

**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 |

## 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 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 |

**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 |

(amounts in thousands, except per share data)

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 |

**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 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) |
| Excess tax benefit from stock-based compensation | 39,568 | — | — | — | 39,568 |
| 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 |

## 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 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 |

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

| | Quarter Ended | |
|---|---|---|
| | April 2, 2016 | April 4, 2015 |
| Net sales | $1,219,140 | $1,208,921 |
| Cost of sales | 761,884 | 762,690 |
| Gross profit | 457,256 | 446,231 |
| Selling, general and administrative expenses | 334,851 | 356,300 |
| Operating profit | 122,405 | 89,931 |
| Other expenses | 649 | 382 |
| Interest expense, net | 31,566 | 26,887 |
| Income before income tax expense | 90,190 | 62,662 |
| Income tax expense | 9,921 | 10,026 |
| Net income | $ 80,269 | $ 52,636 |
| Earnings per share: | | |
| Basic | $ 0.21 | $ 0.13 |
| Diluted | $ 0.21 | $ 0.13 |

See accompanying notes to Condensed Consolidated Financial Statements.

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

| | Quarter Ended | |
| --- | --- | --- |
| | April 2, 2016 | April 4, 2015 |
| Net income | $80,269 | $52,636 |
| Other comprehensive income, net of tax of $1,439 and $3,840, respectively | 10,216 | 4,843 |
| Comprehensive income | $90,485 | $57,479 |

See accompanying notes to Condensed Consolidated Financial Statements.

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

| | April 2, 2016 | January 2, 2016 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 332,422 | $ 319,169 |
| Trade accounts receivable, net | 722,103 | 680,417 |
| Inventories | 1,969,872 | 1,814,602 |
| Other current assets | 93,283 | 103,679 |
| Total current assets | 3,117,680 | 2,917,867 |
| Property, net | 652,126 | 650,462 |
| Trademarks and other identifiable intangibles, net | 711,950 | 700,515 |
| Goodwill | 838,984 | 834,315 |
| Deferred tax assets | 452,709 | 445,179 |
| Other noncurrent assets | 48,612 | 49,252 |
| Total assets | $5,822,061 | $5,597,590 |
| **Liabilities and Stockholders' Equity** | | |
| Accounts payable | $ 530,436 | $ 672,972 |
| Accrued liabilities | 460,514 | 460,333 |
| Notes payable | 115,237 | 117,785 |
| Accounts Receivable Securitization Facility | 200,000 | 195,163 |
| Current portion of long-term debt | 62,325 | 57,656 |
| Total current liabilities | 1,368,512 | 1,503,909 |
| Long-term debt | 2,963,424 | 2,232,712 |
| Pension and postretirement benefits | 322,586 | 362,266 |
| Other noncurrent liabilities | 215,498 | 222,812 |
| Total liabilities | 4,870,020 | 4,321,699 |
| 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 - 377,513,184 and 391,652,810, respectively | 3,775 | 3,917 |
| Additional paid-in capital | 275,937 | 277,569 |
| Retained earnings | 1,057,046 | 1,389,338 |
| Accumulated other comprehensive loss | (384,717) | (394,933) |
| Total stockholders' equity | 952,041 | 1,275,891 |
| Total liabilities and stockholders' equity | $5,822,061 | $5,597,590 |

See accompanying notes to Condensed Consolidated Financial Statements.

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

| | Quarter ended | |
|---|---|---|
| | April 2, 2016 | April 4, 2015 |
| Operating activities: | | |
| Net income | $ 80,269 | $ 52,636 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization of long-lived assets | 22,820 | 24,573 |
| Amortization of debt issuance costs | 1,790 | 1,690 |
| Stock compensation expense | 7,508 | 4,152 |
| Deferred taxes and other | (8,372) | 1,446 |
| Changes in assets and liabilities, net of acquisition of business: | | |
| Accounts receivable | (34,927) | (58,024) |
| Inventories | (140,393) | (180,352) |
| Other assets | 3,030 | (6,166) |
| Accounts payable | (141,341) | 10,534 |
| Accrued pension and postretirement | (37,793) | (98,366) |
| Accrued liabilities and other | (37,397) | (11,468) |
| Net cash from operating activities | (284,806) | (259,345) |
| Investing activities: | | |
| Purchases of property, plant and equipment | (27,859) | (36,368) |
| Proceeds from sales of assets | 15,286 | 4,735 |
| Acquisition of business, net of cash acquired | (7,062) | — |
| Net cash from investing activities | (19,635) | (31,633) |
| Financing activities: | | |
| Borrowings on notes payable | 368,778 | 43,828 |
| Repayments on notes payable | (367,016) | (61,137) |
| Borrowings on Accounts Receivable Securitization Facility | 53,261 | 79,039 |
| Repayments on Accounts Receivable Securitization Facility | (48,424) | (90,393) |
| Borrowings on Revolving Loan Facility | 1,471,500 | 1,327,500 |
| Repayments on Revolving Loan Facility | (732,500) | (921,000) |
| Repayments on Euro Term Loan Facility | — | (974) |
| Repayments on Term Loan A Facility | (9,063) | — |
| Repayments on Term Loan B Facility | (1,063) | — |
| Borrowings on International Debt | 2,895 | 3,352 |
| Repayments on International Debt | (1,728) | (1,913) |
| Share repurchases | (379,901) | — |
| Cash dividends paid | (42,683) | (40,083) |
| Taxes paid related to net shares settlement of equity awards | (837) | (17,982) |
| Excess tax benefit from stock-based compensation | 924 | 12,833 |
| Debt issuance costs and other | 541 | 684 |
| Net cash from financing activities | 314,684 | 333,754 |
| Effect of changes in foreign exchange rates on cash | 3,010 | (5,564) |
| Change in cash and cash equivalents | 13,253 | 37,212 |
| Cash and cash equivalents at beginning of year | 319,169 | 239,855 |
| Cash and cash equivalents at end of period | $ 332,422 | $ 277,067 |

See accompanying notes to Condensed Consolidated Financial Statements.

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

## (1) Basis of Presentation

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

Certain prior year amounts in the notes to condensed consolidated financial statements, none of which are material, have been reclassified to conform with the current year presentation. These reclassifications had no impact on the Company's results of operations.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's most recent Annual Report on Form 10-K. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

## (2) Recent Accounting Pronouncements

### *Consolidation*

In February 2015, the Financial Accounting Standards Board (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 were effective for the Company in the first quarter of 2016. The adoption of the new accounting rules did not have an 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 were effective for the Company in the first quarter of 2016. The adoption of the new accounting rules did not have a material impact on the Company's financial condition, results of operations or cash flows.

### *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 rules were effective for the Company in the first quarter of 2016. The adoption of the new accounting rules did not have a material impact on the Company's financial condition, results of operations or cash flows.

***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 were effective for the Company in the first quarter of 2016. The adoption of the new accounting rules did not have a material impact on the Company's financial condition, results of operations or cash flows.

***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, was effective for the Company in the first quarter of 2016. The adoption of the new accounting rules did not have a material impact on the Company's financial condition, results of operations or cash flows.

***Stock Compensation***

In March 2016, the FASB issued new accounting rules related to accounting for stock compensation. The new guidance requires all excess tax benefits and deficiencies to be recognized in income as they occur. The new guidance also changes the cash flow presentation of excess tax benefits, classifying them as operating inflows or outflows. The new standard, which can be applied retrospectively or prospectively, is 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 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.

***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. In March 2016, the FASB issued an update to the accounting rules regarding revenue from contracts with customers, which clarifies revenue recognition when an agent, along with the entity, is involved in providing a good or service to a customer. In April 2016, the FASB issued an additional update, which clarifies the principle for determining whether a good or service is "separately identifiable" and, therefore, should be accounted for separately. The new standard will be effective for the Company in the first quarter of 2018 with 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.

***Hedge Accounting***

In March 2016, the FASB issued new accounting rules related to hedge accounting, which clarifies that a change in the counterparty to a derivative contract, in and of itself, does not require the dedesignation of a hedging relationship. The new standard, which can be adopted prospectively or on a modified retrospective basis, is effective for the Company in the first quarter of 2018. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company's financial condition, results of operations and cash flows.

***Lease Accounting***

In February 2016, the FASB issued new accounting rules related to lease accounting, which will require lessees to recognize a right-of-use asset and a lease liability for all leases that are not short-term in nature. The new rules will be effective for the Company in the first quarter of 2019. 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.

## (3) Acquisitions

***Knights Apparel***

In April 2015, the Company completed the acquisition of Knights Holdco, Inc. ("Knights Apparel"), a leading seller of licensed collegiate logo apparel in the mass retail channel, from Merit Capital Partners in an all cash transaction valued at $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.

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.

Since January 2, 2016, goodwill decreased by $3,551 as a result of measurement period adjustments to the acquired income tax balances. The purchase price allocation was finalized in the first quarter of 2016.

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

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 | 14,879 |
| Inventories | 22,820 |
| Deferred tax assets and other | 5,741 |
| Trademarks and other identifiable intangibles | 59,950 |
| Total assets acquired | 103,449 |
| 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 | 78,500 |
| Goodwill | 114,388 |
| Purchase price | $192,888 |

## (4) Stockholders' Equity

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

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

| | Quarter Ended | |
|---|---|---|
| | April 2, 2016 | April 4, 2015 |
| Basic weighted average shares outstanding | 386,598 | 403,578 |
| Effect of potentially dilutive securities: | | |
| Stock options | 1,400 | 3,166 |
| Restricted stock units | 1,040 | 1,498 |
| Employee stock purchase plan and other | 5 | 18 |
| Diluted weighted average shares outstanding | 389,043 | 408,260 |

For the quarters ended April 2, 2016 and April 4, 2015, there were no options or restricted stock units excluded from the diluted earnings per share calculation because their effect would be anti-dilutive.

For the quarters ended April 2, 2016 and April 4, 2015, the Company declared cash dividends of $0.11 and $0.10 per share, respectively.

In 2007, the Company's Board of Directors authorized up to 40,000 shares to be repurchased in open-market transactions, and such repurchases are subject to market conditions, legal requirements and other factors. During the quarter ended April 2, 2016, the Company entered into transactions to repurchase 14,243 shares at a weighted average repurchase price of $26.65 per share. The shares were repurchased at a total cost of $379,901.

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

At April 2, 2016, the remaining repurchase authorization totaled 2,261 shares. The program does not obligate the Company to acquire any particular amount of common stock and may be suspended or discontinued at any time at the Company's discretion.

## (5) Inventories

Inventories consisted of the following:

| | April 2, 2016 | January 2, 2016 |
|---|---|---|
| Raw materials | $ 162,016 | $ 173,336 |
| Work in process | 219,833 | 200,836 |
| Finished goods | 1,588,023 | 1,440,430 |
| | $1,969,872 | $1,814,602 |

## (6) Debt

Debt consisted of the following:

| | Interest Rate as of April 2, 2016 | Principal Amount April 2, 2016 | Principal Amount January 2, 2016 | Maturity Date |
|---|---|---|---|---|
| Senior Secured Credit Facility: | | | | |
| Revolving Loan Facility | 1.99% | $ 802,500 | $ 63,500 | April 2020 |
| Euro Term Loan | 3.50% | 117,304 | 113,098 | August 2021 |
| Term Loan A | 1.90% | 696,250 | 705,313 | April 2020 |
| Term Loan B | 3.25% | 420,750 | 421,813 | April 2022 |
| 6.375% Senior Notes | 6.38% | 1,000,000 | 1,000,000 | December 2020 |
| Accounts Receivable Securitization Facility | 1.33% | 200,000 | 195,163 | March 2017 |
| Other International Debt | Various | 9,582 | 8,094 | Various |
| | | 3,246,386 | 2,506,981 | |
| Less long-term debt issuance cost | | 20,637 | 21,450 | |
| Less current maturities | | 262,325 | 252,819 | |
| | | $2,963,424 | $2,232,712 | |

As of April 2, 2016, the Company had $182,005 of borrowing availability under the $1,000,000 Revolving Loan Facility after taking into account outstanding borrowings and $15,495 of standby and trade letters of credit issued and outstanding under this facility.

In March 2016, the Company amended the accounts receivable securitization facility that it entered into in November 2007 (the "Accounts Receivable Securitization Facility"). This amendment primarily extended the termination date to March 2017 and changed the borrowing capacity from a fixed capacity to a varying limit throughout the year, in order to minimize fees for the Company's unused portion of the facility.

As of April 2, 2016, the Company was in compliance with all financial covenants under its credit facilities.

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

## (7) Accumulated Other Comprehensive Loss

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

| | Cumulative Translation Adjustment | Hedges | Defined Benefit Plans | Income Taxes | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|---|
| Balance at January 2, 2016 | $(57,675) | $ 6,743 | $(563,759) | $219,758 | $(394,933) |
| Amounts reclassified from accumulated other comprehensive loss | — | (2,324) | 4,205 | (732) | 1,149 |
| Current-period other comprehensive income (loss) activity | 12,474 | (5,578) | — | 2,171 | 9,067 |
| Balance at April 2, 2016 | $(45,201) | $(1,159) | $(559,554) | $221,197 | $(384,717) |

The Company had the following reclassifications out of AOCI:

| Component of AOCI | Location of Reclassification into Income | Amount of Reclassification from AOCI — Quarter Ended April 2, 2016 | Amount of Reclassification from AOCI — Quarter Ended April 4, 2015 |
|---|---|---|---|
| Gain (loss) on foreign exchange contracts | Cost of sales | $ 2,324 | $ 835 |
| | Income tax | (904) | (507) |
| | Net of tax | 1,420 | 328 |
| Amortization of deferred actuarial loss and prior service cost | Selling, general and administrative expenses | (4,205) | (2,770) |
| | Income tax | 1,636 | 1,200 |
| | Net of tax | (2,569) | (1,570) |
| Total reclassifications | | $(1,149) | $(1,242) |

## (8) Financial Instruments and Risk Management

The Company uses forward foreign exchange contracts to manage its exposures to movements in foreign exchange rates. As of April 2, 2016, the notional U.S. dollar equivalent of commitments to sell and purchase foreign currencies within the Company's derivative portfolio was $229,472 and $2,614, respectively, primarily consisting of contracts hedging exposures to the Euro, Canadian dollar, Mexican peso, Australian dollar, Japanese yen and Brazilian real.

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

### *Fair Values of Derivative Instruments*

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

| | | Fair Value | |
|---|---|---|---|
| | Balance Sheet Location | April 2, 2016 | January 2, 2016 |
| Hedges | Other current assets | $ 131 | $ 3,700 |
| Non-hedges | Other current assets | 339 | 1,514 |
| Total derivative assets | | 470 | 5,214 |
| Hedges | Accrued liabilities | (3,728) | (330) |
| Non-hedges | Accrued liabilities | (1,297) | (775) |
| Total derivative liabilities | | (5,025) | (1,105) |
| **Net derivative asset (liability)** | | $(4,555) | $ 4,109 |

### *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 $65.

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

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

| | Amount of Gain (Loss) Recognized in AOCI (Effective Portion) | |
|---|---|---|
| | Quarter Ended | |
| | April 2, 2016 | April 4, 2015 |
| Foreign exchange contracts | $(5,578) | $11,185 |

| | Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) | Amount of Gain Reclassified from AOCI into Income (Effective Portion) | |
|---|---|---|---|
| | | Quarter Ended | |
| | | April 2, 2016 | April 4, 2015 |
| Foreign exchange contracts | Cost of sales | $2,324 | $835 |

***Derivative Contracts Not Designated As Hedges***

The Company uses foreign exchange derivative contracts as economic hedges against the impact of foreign exchange fluctuations on existing accounts receivable and payable balances and intercompany lending transactions denominated in foreign currencies. These contracts are not designated as hedges under the accounting standards and are recorded at fair value in the Condensed Consolidated Balance Sheet. Any gains or losses resulting from changes in fair value are recognized directly into earnings. Gains or losses on these contracts largely offset the net remeasurement gains or losses on the related assets and liabilities.

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

| | Location of Gain (Loss) Recognized in Income on Derivative | Amount of Gain (Loss) Recognized in Income — Quarter Ended April 2, 2016 | Amount of Gain (Loss) Recognized in Income — Quarter Ended April 4, 2015 |
|---|---|---|---|
| Foreign exchange contracts | Selling, general and administrative expenses | $(2,408) | $3,470 |

## (9) Fair Value of Assets and Liabilities

As of April 2, 2016, the Company held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. These consisted of the Company's derivative instruments related to foreign exchange rates and deferred compensation plan liabilities. The fair values of foreign currency derivatives are determined using the cash flows of the foreign exchange contract, discount rates to account for the passage of time and current foreign exchange market data and are categorized as Level 2. The fair value of deferred compensation plans is based on readily available current market data and is categorized as Level 2. The Company's defined benefit pension plan investments are not required to be measured at fair value on a recurring basis.

There were no changes during the quarter ended April 2, 2016 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis. There were no transfers into or out of Level 1, Level 2 or Level 3 during the quarter ended April 2, 2016. As of and during the quarter ended April 2, 2016, the Company did not have any non-financial assets or liabilities that were required to be measured at fair value on a recurring or non-recurring basis.

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

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 April 2, 2016 | | |
|---|---|---|---|
| | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Foreign exchange derivative contracts | $— | $ 470 | $— |
| Foreign exchange derivative contracts | — | (5,025) | — |
| | — | (4,555) | — |
| Deferred compensation plan liability | — | (36,015) | — |
| **Total** | $— | $(40,570) | $— |

| | 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) |
| Foreign exchange derivative contracts | $— | $ 5,214 | $— |
| Foreign exchange derivative contracts | — | (1,105) | — |
| | — | 4,109 | — |
| Deferred compensation plan liability | — | (36,257) | — |
| **Total** | $— | $(32,148) | $— |

***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 April 2, 2016 and January 2, 2016. The carrying amount of trade accounts receivable included allowance for doubtful accounts, chargebacks and other deductions of $14,696 and $13,100 as of April 2, 2016 and January 2, 2016, respectively. The fair value of debt, which is classified as a Level 2 liability, was $3,285,216 and $2,537,640 as of April 2, 2016 and January 2, 2016, respectively. Debt had a carrying value of $3,246,386 and $2,506,981 as of April 2, 2016 and January 2, 2016, respectively. In the first quarter of 2016, the Company adopted new accounting rules, which require debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. Hence, the carrying value of debt reflected on the face of the balance sheet reflects the adoption of the new accounting rules. However, the carrying value of debt reflected in this footnote disclosure reflects the gross amount owed to creditors. 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 April 2, 2016 and January 2, 2016, primarily due to the short-term nature of these instruments.

## (10) Income Taxes

The Company's effective income tax rate was 11% and 16% for the quarters ended April 2, 2016 and April 4, 2015, respectively. The lower effective income tax rate for the quarter ended April 2, 2016 compared to the quarter ended April 4, 2015 was primarily due to a lower proportion of earnings attributed to domestic subsidiaries, which are taxed at rates higher than foreign subsidiaries.

## (11) Subsequent Event

The Company announced on April 7, 2016 that it had entered into a definitive agreement to acquire Champion Europe S.p.A ("Champion Europe"), which owns the trademark for the Champion brand in Europe, the Middle East and Africa. The purchase price will be 10 times actual calendar year 2016 earnings before interest, taxes, depreciation and amortization ("EBITDA"), subject to adjustment for cash, debt and working capital. Champion Europe expects calendar year 2016 EBITDA of approximately €20,000. The acquisition, which is subject to certain closing conditions, is expected to close midyear 2016.

## (12) 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. As a result of a shift in management responsibilities, the Company decided in the first quarter of 2016 to move its wholesale e-commerce business from its Direct to Consumer segment into the respective Innerwear and Activewear segments. Prior year segment sales and operating profit results have been revised to conform to the current year presentation.

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.
- 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.
- 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 Company decided in the first quarter of 2016 to revise the manner in which the Company allocates certain selling, general and administrative expenses. Certain prior year segment operating profit disclosures have been revised to conform to current year presentation. The accounting policies of the segments are consistent with those described in Note 2 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended January 2, 2016.

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

| | Quarter Ended | |
|---|---|---|
| | April 2, 2016 | April 4, 2015 |
| **Net sales:** | | |
| Innerwear | $ 560,726 | $ 553,604 |
| Activewear | 309,525 | 301,010 |
| Direct to Consumer | 69,802 | 71,157 |
| International | 279,087 | 283,150 |
| Total net sales | $1,219,140 | $1,208,921 |

| | Quarter Ended | |
|---|---|---|
| | April 2, 2016 | April 4, 2015 |
| **Segment operating profit:** | | |
| Innerwear | $ 117,972 | $ 116,063 |
| Activewear | 32,569 | 31,170 |
| Direct to Consumer | (3,022) | (4,530) |
| International | 24,719 | 21,495 |
| Total segment operating profit | 172,238 | 164,198 |
| Items not included in segment operating profit: | | |
| General corporate expenses | (21,435) | (26,244) |
| Acquisition, integration and other action related charges | (24,669) | (43,228) |
| Amortization of intangibles | (3,729) | (4,795) |
| Total operating profit | 122,405 | 89,931 |
| Other expenses | (649) | (382) |
| Interest expense, net | (31,566) | (26,887) |
| Income before income tax expense | $ 90,190 | $ 62,662 |

For the quarter ended April 2, 2016, the Company incurred acquisition, integration and other action related charges of $24,669, of which $4,869 is reported in the "Cost of sales" line and $19,800 is reported in the "Selling, general and administrative expenses" line in the Condensed Consolidated Statement of Income. For the quarter ended April 4, 2015, the Company incurred acquisition, integration and other action related charges of $43,228, of which $14,068 is reported in the "Cost of sales" line and $29,160 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 April 2, 2016, the Company has accrued approximately $50,269 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 expenses" lines of the Consolidated Statements of Income. As of April 2, 2016, approximately $3,731 of benefit payments had been made. $30,596 and $19,673, respectively, is included in the "Accrued liabilities" and "Other noncurrent liabilities" line of the Consolidated Balance Sheet.

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

## (13) 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.

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.

**Condensed Consolidating Statement of Comprehensive Income**
**Quarter Ended April 2, 2016**

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Entries and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $876,884 | $178,588 | $865,234 | $(701,566) | $1,219,140 |
| Cost of sales | 649,945 | 92,022 | 638,057 | (618,140) | 761,884 |
| Gross profit | 226,939 | 86,566 | 227,177 | (83,426) | 457,256 |
| Selling, general and administrative expenses | 189,432 | 44,619 | 103,279 | (2,479) | 334,851 |
| Operating profit | 37,507 | 41,947 | 123,898 | (80,947) | 122,405 |
| Equity in earnings of subsidiaries | 96,432 | 101,331 | — | (197,763) | — |
| Other expenses | 649 | — | — | — | 649 |
| Interest expense, net | 27,088 | 1 | 4,527 | (50) | 31,566 |
| Income before income tax expense | 106,202 | 143,277 | 119,371 | (278,660) | 90,190 |
| Income tax expense | 25,933 | (24,465) | 8,453 | — | 9,921 |
| Net income | $ 80,269 | $167,742 | $110,918 | $(278,660) | $ 80,269 |
| Comprehensive income | $ 90,485 | $167,742 | $118,621 | $(286,363) | $ 90,485 |

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

| | Condensed Consolidating Statement of Comprehensive Income Quarter Ended April 4, 2015 | | | | |
|---|---|---|---|---|---|
| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Entries and Eliminations | Consolidated |
| Net sales | $951,090 | $153,174 | $792,012 | $(687,355) | $1,208,921 |
| Cost of sales | 772,889 | 74,310 | 600,410 | (684,919) | 762,690 |
| Gross profit | 178,201 | 78,864 | 191,602 | (2,436) | 446,231 |
| Selling, general and administrative expenses | 224,682 | 52,864 | 80,454 | (1,700) | 356,300 |
| Operating profit | (46,481) | 26,000 | 111,148 | (736) | 89,931 |
| Equity in earnings of subsidiaries | 131,166 | 108,170 | — | (239,336) | — |
| Other expenses | 382 | — | — | — | 382 |
| Interest expense, net | 19,123 | (4) | 7,782 | (14) | 26,887 |
| Income before income tax expense | 65,180 | 134,174 | 103,366 | (240,058) | 62,662 |
| Income tax expense | 12,544 | (11,090) | 8,572 | — | 10,026 |
| Net income | $ 52,636 | $145,264 | $ 94,794 | $(240,058) | $ 52,636 |
| Comprehensive income | $ 57,479 | $145,264 | $ 90,404 | $(235,668) | $ 57,479 |

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

| | Condensed Consolidating Balance Sheet April 2, 2016 | | | | |
|---|---|---|---|---|---|
| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Entries and Eliminations | Consolidated |
| **Assets** | | | | | |
| Cash and cash equivalents | $ 20,955 | $ 5,826 | $ 305,641 | $ — | $ 332,422 |
| Trade accounts receivable, net | 95,789 | 67,911 | 559,680 | (1,277) | 722,103 |
| Inventories | 1,302,946 | 167,467 | 692,236 | (192,777) | 1,969,872 |
| Other current assets | 35,966 | 9,933 | 47,384 | — | 93,283 |
| Total current assets | 1,455,656 | 251,137 | 1,604,941 | (194,054) | 3,117,680 |
| Property, net | 96,408 | 42,950 | 512,768 | — | 652,126 |
| Trademarks and other identifiable intangibles, net | 6,132 | 130,161 | 575,657 | — | 711,950 |
| Goodwill | 232,882 | 238,635 | 367,467 | — | 838,984 |
| Investments in subsidiaries | 4,681,675 | 2,335,565 | — | (7,017,240) | — |
| Deferred tax assets | 365,965 | 75,999 | 10,745 | — | 452,709 |
| Receivables from related entities | 5,497,304 | 5,251,814 | 2,536,205 | (13,285,323) | — |
| Other noncurrent assets | 38,569 | 317 | 9,726 | — | 48,612 |
| Total assets | $12,374,591 | $8,326,578 | $5,617,509 | $(20,496,617) | $5,822,061 |
| **Liabilities and Stockholders' Equity** | | | | | |
| Accounts payable | $ 189,512 | $ 25,815 | $ 315,109 | $ — | $ 530,436 |
| Accrued liabilities | 169,252 | 24,978 | 266,546 | (262) | 460,514 |
| Notes payable | — | — | 115,237 | — | 115,237 |
| Accounts Receivable Securitization Facility | — | — | 200,000 | — | 200,000 |
| Current portion of long-term debt | 58,625 | — | 3,700 | — | 62,325 |
| Total current liabilities | 417,389 | 50,793 | 900,592 | (262) | 1,368,512 |
| Long-term debt | 2,841,461 | — | 121,963 | — | 2,963,424 |
| Pension and postretirement benefits | 265,495 | — | 57,091 | — | 322,586 |
| Payables to related entities | 7,803,803 | 3,822,944 | 1,658,576 | (13,285,323) | — |
| Other noncurrent liabilities | 94,402 | 11,777 | 109,319 | — | 215,498 |
| Total liabilities | 11,422,550 | 3,885,514 | 2,847,541 | (13,285,585) | 4,870,020 |
| Stockholders' equity | 952,041 | 4,441,064 | 2,769,968 | (7,211,032) | 952,041 |
| Total liabilities and stockholders' equity | $12,374,591 | $8,326,578 | $5,617,509 | $(20,496,617) | $5,822,061 |

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

| | 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 | 38,938 | 319 | 9,995 | — | 49,252 |
| Total assets | $11,729,903 | $8,049,243 | $5,364,000 | $(19,545,556) | $5,597,590 |
| **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 | 2,115,081 | — | 117,631 | — | 2,232,712 |
| 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 | 10,454,012 | 3,777,127 | 2,702,377 | (12,611,817) | 4,321,699 |
| Stockholders' equity | 1,275,891 | 4,272,116 | 2,661,623 | (6,933,739) | 1,275,891 |
| Total liabilities and stockholders' equity | $11,729,903 | $8,049,243 | $5,364,000 | $(19,545,556) | $5,597,590 |

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

| | Condensed Consolidating Statement of Cash Flows Three Months Ended April 2, 2016 | | | | |
|---|---|---|---|---|---|
| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Entries and Eliminations | Consolidated |
| Net cash from operating activities | $ (173,346) | $ 107,704 | $ (26,118) | $(193,046) | $ (284,806) |
| Investing activities: | | | | | |
| Purchases of property, plant and equipment | (9,008) | (4,446) | (14,405) | — | (27,859) |
| Proceeds from sales of assets | 15,338 | — | (52) | — | 15,286 |
| Acquisition of business, net of cash acquired | — | — | (7,062) | — | (7,062) |
| Net cash from investing activities | 6,330 | (4,446) | (21,519) | — | (19,635) |
| Financing activities: | | | | | |
| Borrowings on notes payable | — | — | 368,778 | — | 368,778 |
| Repayments on notes payable | — | — | (367,016) | — | (367,016) |
| Borrowings on Accounts Receivable Securitization Facility | — | — | 53,261 | — | 53,261 |
| Repayments on Accounts Receivable Securitization Facility | — | — | (48,424) | — | (48,424) |
| Borrowings on Revolving Loan Facility | 1,471,500 | — | — | — | 1,471,500 |
| Repayments on Revolving Loan Facility | (732,500) | — | — | — | (732,500) |
| Repayments on Term Loan A Facility | (9,063) | — | — | — | (9,063) |
| Repayments on Term Loan B Facility | (1,063) | — | — | — | (1,063) |
| Borrowings on International Debt | — | — | 2,895 | — | 2,895 |
| Repayments on International Debt | — | — | (1,728) | — | (1,728) |
| Cash dividends paid | (42,683) | — | — | — | (42,683) |
| Share repurchases | (379,901) | — | — | — | (379,901) |
| Taxes paid related to net shares settlement of equity awards | (837) | — | — | — | (837) |
| Excess tax benefit from stock-based compensation | 924 | — | — | — | 924 |
| Debt issuance costs and other | 980 | — | (439) | — | 541 |
| Net transactions with related entities | (125,734) | (105,115) | 37,803 | 193,046 | — |
| Net cash from financing activities | 181,623 | (105,115) | 45,130 | 193,046 | 314,684 |
| Effect of changes in foreign exchange rates on cash | — | — | 3,010 | — | 3,010 |
| Change in cash and cash equivalents | 14,607 | (1,857) | 503 | — | 13,253 |
| Cash and cash equivalents at beginning of year | 6,348 | 7,683 | 305,138 | — | 319,169 |
| Cash and cash equivalents at end of period | $ 20,955 | $ 5,826 | $ 305,641 | $ — | $ 332,422 |

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

| | Condensed Consolidating Statement of Cash Flow Three Months Ended April 4, 2015 | | | | |
|---|---|---|---|---|---|
| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Entries and Eliminations | Consolidated |
| Net cash from operating activities | $ (115,241) | $ 68,660 | $(391,119) | $ 178,355 | $ (259,345) |
| Investing activities: | | | | | |
| Purchases of property, plant and equipment | (8,864) | (3,796) | (23,708) | — | (36,368) |
| Proceeds from sales of assets | — | 4,322 | 413 | — | 4,735 |
| Net cash from investing activities | (8,864) | 526 | (23,295) | — | (31,633) |
| Financing activities: | | | | | |
| Borrowings on notes payable | — | — | 43,828 | — | 43,828 |
| Repayments on notes payable | — | — | (61,137) | — | (61,137) |
| Borrowings on Accounts Receivable Securitization Facility | — | — | 79,039 | — | 79,039 |
| Repayments on Accounts Receivable Securitization Facility | — | — | (90,393) | — | (90,393) |
| Borrowings on Revolving Loan Facility | 1,327,500 | — | — | — | 1,327,500 |
| Repayments on Revolving Loan Facility | (921,000) | — | — | — | (921,000) |
| Cash dividends paid | (40,083) | — | — | — | (40,083) |
| Repayments on Euro Term Loan Facility | — | — | (974) | — | (974) |
| Borrowings on International Debt | — | — | 3,352 | — | 3,352 |
| Repayments on International Debt | — | — | (1,913) | — | (1,913) |
| Taxes paid related to net shares settlement of equity awards | (17,982) | — | — | — | (17,982) |
| Excess tax benefit from stock-based compensation | 12,833 | — | — | — | 12,833 |
| Other | 1,183 | — | (493) | (6) | 684 |
| Net transactions with related entities | (245,013) | (67,871) | 491,233 | (178,349) | — |
| Net cash from financing activities | 117,438 | (67,871) | 462,542 | (178,355) | 333,754 |
| Effect of changes in foreign exchange rates on cash | — | — | (5,564) | — | (5,564) |
| Change in cash and cash equivalents | (6,667) | 1,315 | 42,564 | — | 37,212 |
| Cash and cash equivalents at beginning of year | 10,910 | 10,796 | 218,149 | — | 239,855 |
| Cash and cash equivalents at end of period | $ 4,243 | $ 12,111 | $ 260,713 | $ — | $ 277,067 |

HANES Brands Inc