



GILDAN®

2020 Third Quarter Shareholder Report

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1.0 PREFACE

In this Management's Discussion and Analysis (MD&A), "Gildan", the "Company", or the words "we", "us", and "our" refer, depending on the context, either to Gildan Activewear Inc. or to Gildan Activewear Inc. together with its subsidiaries.

This MD&A comments on our operations, financial performance, and financial condition as at and for the three and nine months ended September 27, 2020. All amounts in this MD&A are in U.S. dollars, unless otherwise noted. For a complete understanding of our business environment, trends, risks and uncertainties, and the effect of accounting estimates on our results of operations and financial condition, this MD&A should be read in conjunction with Gildan's unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 27, 2020, and the related notes, and with our MD&A for the year ended December 29, 2019 (2019 Annual MD&A).

In preparing this MD&A, we have taken into account all information available to us up to October 28, 2020, the date of this MD&A. The unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 27, 2020 and this MD&A were reviewed by Gildan's Audit and Finance Committee and were approved and authorized for issuance by our Board of Directors on October 28, 2020.

The unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 27, 2020 have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). All financial information contained in this MD&A is consistent with International Financial Reporting Standards (IFRS), except for certain information discussed in the section entitled "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

Additional information about Gildan, including our 2019 Annual Information Form, is available on our website at www.gildaninc.com, on the SEDAR website at www.sedar.com, and on the EDGAR section of the U.S. Securities and Exchange Commission website (which includes the Annual Report on Form 40-F) at www.sec.gov.

2.0 CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this MD&A constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities legislation and regulations and are subject to important risks, uncertainties, and assumptions. This forward-looking information includes, amongst others, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions. In particular, information appearing under the headings "Our business", "Strategy and objectives", "Operating results", "Liquidity and capital resources - Long-term debt and net indebtedness", "Outlook", "Financial risk management", and "Risk and uncertainties" contain forward looking statements. Forward-looking statements generally can be identified by the use of conditional or forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "project", "assume", "anticipate", "plan", "foresee", "believe", or "continue", or the negatives of these terms or variations of them or similar terminology. We refer you to the Company's filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission, as well as the risks described under the "Financial risk management", "Critical accounting estimates and judgments", and "Risks and uncertainties" sections of this MD&A and of the 2019 Annual MD&A for a discussion of the various factors that may affect the Company's future results. Material factors and assumptions that were applied in drawing a conclusion or making a forecast or projection are also set out throughout this document.

Forward-looking information is inherently uncertain and the results or events predicted in such forward-looking information may differ materially from actual results or events. Material factors, which could cause actual results or events to differ materially from a conclusion, forecast, or projection in such forward-looking information, include, but are not limited to:

- the magnitude and length of economic disruption as a result of the worldwide coronavirus (COVID-19) pandemic, including the scope and duration of government mandated general, partial, or targeted private sector shutdowns, travel restrictions, and social distancing measures;

- changes in general economic and financial conditions globally or in one or more of the markets we serve, including the severity and duration of the economic slowdown and recessions following the COVID-19 pandemic;
- our ability to implement our growth strategies and plans;
- our ability to successfully integrate acquisitions and realize expected benefits and synergies;
- the intensity of competitive activity and our ability to compete effectively;
- our reliance on a small number of significant customers;
- the fact that our customers do not commit to minimum quantity purchases;
- our ability to anticipate, identify, or react to changes in consumer preferences and trends;
- our ability to manage production and inventory levels effectively in relation to changes in customer demand;
- fluctuations and volatility in the price of raw materials used to manufacture our products, such as cotton, polyester fibres, dyes and other chemicals;
- our reliance on key suppliers and our ability to maintain an uninterrupted supply of raw materials and finished goods;
- the impact of climate, political, social, and economic risks, natural disasters, epidemics and pandemics, such as the COVID-19 pandemic, in the countries in which we operate or sell to, or from which we source production;
- disruption to manufacturing and distribution activities due to such factors as operational issues, disruptions in transportation logistic functions, labour disruptions, political or social instability, bad weather, natural disasters, epidemics and pandemics, such as the COVID-19 pandemic, and other unforeseen adverse events;
- the impacts of the COVID-19 pandemic on our business and financial performance and consequently on our ability to comply with the financial covenants under our debt agreements;
- compliance with applicable trade, competition, taxation, environmental, health and safety, product liability, employment, patent and trademark, corporate and securities, licensing and permits, data privacy, bankruptcy, anti-corruption, and other laws and regulations in the jurisdictions in which we operate;
- the imposition of trade remedies, or changes to duties and tariffs, international trade legislation, bilateral and multilateral trade agreements and trade preference programs that the Company is currently relying on in conducting its manufacturing operations or the application of safeguards thereunder;
- factors or circumstances that could increase our effective income tax rate, including the outcome of any tax audits or changes to applicable tax laws or treaties;
- changes to and failure to comply with consumer product safety laws and regulations;
- changes in our relationship with our employees or changes to domestic and foreign employment laws and regulations;
- negative publicity as a result of actual, alleged, or perceived violations of human rights, labour and environmental laws or international labour standards, or unethical labour or other business practices by the Company or one of its third-party contractors;
- changes in third-party licensing arrangements and licensed brands;
- our ability to protect our intellectual property rights;
- operational problems with our information systems as a result of system failures, viruses, security and cyber security breaches, disasters, and disruptions due to system upgrades or the integration of systems;
- an actual or perceived breach of data security;
- our reliance on key management and our ability to attract and/or retain key personnel;
- changes in accounting policies and estimates; and
- exposure to risks arising from financial instruments, including credit risk on trade accounts receivables and other financial instruments, liquidity risk, foreign currency risk, and interest rate risk, as well as risks arising from commodity prices.

These factors may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on the Company's business. For example, they do not include the effect of business dispositions, acquisitions, other business transactions, asset write-downs, asset impairment losses, or other charges announced or occurring after forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them.

There can be no assurance that the expectations represented by our forward-looking statements will prove to be correct. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's future financial performance and may not be appropriate for other purposes. Furthermore, unless otherwise stated, the forward-looking statements contained in this report are made as of the date hereof, and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events, or otherwise unless required by applicable legislation or regulation. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

3.0 OUR BUSINESS

Update on COVID-19-related impacts and Back to Basics initiatives

The novel COVID-19 coronavirus was recognized as a pandemic by the World Health Organization in March 2020. As the situation unfolded, in order to limit the spread of the virus, various governments and public health organizations around the world imposed emergency containment measures such as restrictions on travel and business operations and advised or required physical and social distancing measures. These restrictions and other factors have caused a severe global economic downturn and recessions. Global debt and equity capital markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Starting in the second half of March 2020, our business began to be impacted, with a major reduction in sales for both our imprints and retail channels due to those restrictions, including the limitation of social gatherings, cancellation of various sporting, entertainment, promotional, and cultural events, school closures, significant restrictions on transborder and international travel, as well as various government mandated manufacturing and distribution facility closures and retail store closures throughout North America and internationally. Our net sales for the second quarter of fiscal 2020 were significantly impacted by the global shutdown measures, particularly during the first two months of the second quarter of fiscal 2020, before re-openings began to occur. Net sales in the second quarter declined 71% compared to the prior year quarter, due to a meaningful downturn in demand and the impact of customers reducing their inventory levels, particularly in the Company's imprintable sales channels. As governments in North America and other regions of the world began easing restrictions in the latter part of the second quarter, we started to see some economic recovery with sell-through trends for our products starting to improve. Further, the Company's results for the third quarter of fiscal 2020 reflected a strong improvement from the second quarter this year, although prevailing COVID-19 pandemic-related demand impacts continued to weigh on certain channels of distribution. Point of sales (POS) of our imprintable products, although down on a year-over-year basis in the 15% to 20% range, remained relatively stable through the third quarter of 2020, while sales to retailers were up year-over-year. Consequently, the overall year-over-year sales decline in the third quarter slowed from the level we saw in the second quarter this year, with overall sales down 18.6% in the third quarter compared to the same period last year.

From the onset, as the situation of the COVID-19 pandemic unfolded, our first priority has been the health and safety of our employees, customers, suppliers, and other partners. In this regard, we have taken several actions to safeguard our stakeholders while ensuring the continuity of our business.

Concurrent with global government mandated private sector shutdowns, we began to close our manufacturing facilities starting on March 17, 2020, to ensure the safety of our employees and align our operations and inventory levels with the demand environment. We continued to manage and align our operations and inventory levels with the demand environment and kept the majority of our production facilities idle or operating at low levels of capacity during the second quarter. However, in line with improving demand and the gradual lifting of shut down restrictions, we started to resume production at various operating levels across the majority of our facilities later in the second quarter. During the third quarter we continued to ramp up production levels at our facilities with 75% of our pre-COVID manufacturing capacity back on line at the end of the third quarter. Our distribution centres continued to be operational, initially at reduced capacity levels and adjusted in line with demand through the course of the year. The majority of our office employees continue to work remotely.

In order to preserve cash and pre-emptively ensure that we are well-positioned from a liquidity perspective to manage through the current and anticipated future environment, we are deferring non-critical capital spend and discretionary expenses. In addition, on April 6, 2020, we took additional cautionary measures to enhance liquidity by securing an additional \$400 million of long-term debt with members of our existing bank syndicate. Further, during the second quarter, we negotiated a 12-month covenant amendment to our existing credit agreements providing increased financial flexibility through the first quarter of 2021. Additional information on the covenant amendment can be found in section 8.0 of this MD&A. At the end of the third quarter, the Company's overall available liquidity position was approximately \$1.3 billion.

Given the severity of the crisis and the uncertain economic outlook, out of an abundance of caution, in March we suspended share repurchases and starting with the first quarter of 2020 we suspended the quarterly cash dividend. We remain committed to returning capital to shareholders through our dividend and share repurchases on a long-term basis and expect to resume the programs when the environment normalizes and we are in compliance with the amended terms of our credit agreements as it relates to dividends and share repurchases, as described in section 8.2 of this MD&A.

From a workforce perspective, at the end of March, various temporary pay reductions were implemented, affecting our Board of Directors, the senior executive management team, and our senior staff, while the majority of salaried employees moved to a four-day work week. At the end of the second quarter, the Company ended the employee furloughs and pay reductions were lifted for senior staff, the executive team, and the Company's Board of Directors. In the second quarter of 2020, in order to further lower our cost structure, and adjust to the current demand environment, we announced workforce reductions affecting approximately 6,000 manufacturing employees and approximately 380 of our SG&A employee base. We also announced the closure of a smaller specialty yarn-spinning operation in the U.S. during the second quarter this year.

Given ongoing uncertainty related to the impacts of the COVID-19 pandemic, during the second quarter we took a number of actions guided by our Back to Basics strategy to further reduce our cost base and strengthen our level of financial flexibility as we navigate through the impacts of the pandemic. These actions included strategic pricing, additional stock-keeping unit (SKU) rationalization of our imprints product offering, retail inventory product-line management resulting in inventory charges, the closure of a yarn-spinning facility, as well as headcount reductions as previously discussed. Consequently, the Company reported a significant earnings loss of approximately \$250 million in the second quarter due to charges related to these actions, and COVID-19-related impacts which included \$86 million in manufacturing idling, as well as inventory and other charges. Please refer to the Company's Second Quarter 2020 MD&A section 3.0 under the heading "Update on COVID-19-related impacts and Back to Basics initiatives" for a more detailed discussion. The Company also incurred a net loss of approximately \$100 million in the first quarter of 2020 due to charges relating to the impairment of our hosiery cash generating unit and impairment of trade accounts receivable triggered by the impact of the pandemic. During the third quarter of fiscal 2020, we expensed approximately \$15 million of unabsorbed manufacturing overhead as period costs, which were significantly lower than the \$86 million expensed in the second quarter, as production moved much closer to normal levels.

The current and potential impacts of the COVID-19 pandemic on the Company's liquidity, credit, and other risks are described in the "Financial risk management" and "Risk and uncertainties" sections of this MD&A.

3.1 Overview

Gildan is a leading manufacturer of everyday basic apparel, including activewear, underwear, socks, hosiery, and legwear products sold in North America, Europe, Asia-Pacific, and Latin America to wholesale distributors, screenprinters or embellishers, as well as to retailers in North America, including mass merchants, department stores, national chains, specialty retailers, craft stores, and pure-play online retailers that sell directly to consumers through their physical stores and/or e-commerce platforms, and to global lifestyle brand companies. Since its formation, the Company has made significant capital investments in developing its own large-scale, low-cost vertically integrated supply chain, encompassing yarn production, textile and sock manufacturing, and sewing operations. Gildan's manufacturing operations are located in Central America, the Caribbean, North America, and Bangladesh.

We believe the skill set that we have developed in designing, constructing, and operating our own manufacturing facilities combined with the significant capital investments made over the years in that respect, which have been above industry average capital intensity levels, are factors that differentiate us from our competition. More than 90% of our sales are derived from products we manufacture ourselves. Owning and operating the vast majority of our manufacturing facilities allows us to exercise tighter control over our production processes, efficiency levels, costs and product quality, as well as to provide reliable service with short production/delivery cycle times. In addition, running our own operations allows us to ensure adherence to high standards for environmental and social responsibility practices throughout our supply chain.

3.2 Our Operations

3.2.1 Brands, Products and Customers

The products we manufacture and sell are marketed under our Company-owned brands, including Gildan®, American Apparel®, Comfort Colors®, Gildan® Hammer™, Prim + Preux®, GoldToe®, Anvil® by Gildan®, Alstyle®, Secret®, Silks®, Kushyfoot®, Secret Silky®, Therapy Plus®, Peds® and MediPeds®. Through a sock licensing agreement providing us exclusive distribution rights in the United States and Canada, we also sell socks under the Under Armour® brand. In addition, we manufacture for and supply products to select leading global athletic and lifestyle brands, as well as to certain retail customers who market these products under their own brands.

Our primary product categories include activewear tops and bottoms, hosiery, and underwear, the vast majority of which we manufacture. Some of our brands also extend to other categories such as intimates, sheer hosiery and shapewear, which are sourced through third-party suppliers.

We sell our activewear products primarily in “blank” or undecorated form, without imprints or embellishment. These activewear products are primarily sold to wholesale distributors within the imprintables channel, who then sell the blanks to screenprinters/embellishers who decorate the products with designs and logos, and in turn sell the embellished/imprinted activewear into a highly diversified range of end-use markets. These include educational institutions, athletic dealers, event merchandisers, promotional product distributors, charitable organizations, entertainment promoters, travel and tourism venues, and retailers. The activewear products have diverse applications, such as serving as work or school uniforms or athletic team wear or simply conveying individual, group, and team identity. We also sell activewear products to various retailers, in addition to underwear and socks for men, ladies, and kids, as well as other hosiery products such as pantyhose and leggings. These retailers include mass merchants, department stores, national chains, sports specialty stores, craft stores, food and drug retailers, dollar stores and price clubs, all of which sell to consumers through their brick and mortar outlets. Consumers also buy our products online through e-commerce platforms, including pure-play online retailers and brick and mortar retail customers' e-commerce platforms. In addition to selling our products to retailers, we manufacture for and sell to select leading global athletic and lifestyle consumer brand companies who distribute these products within the retail channel.

The following table summarizes our product and brand offerings:

Primary product categories	Product-line details	Brands
Activewear	T-shirts, fleece tops and bottoms, and sport shirts	Gildan®, Gildan Performance®, Gildan Platinum® ⁽¹⁾ , Gildan® Hammer™, Comfort Colors® ⁽²⁾ , American Apparel®, Anvil® by Gildan®, Alstyle® ⁽²⁾ , Prim + Preux®, GoldToe®
Hosiery	athletic, dress, casual and workwear socks, liner socks, socks for therapeutic purposes ⁽⁴⁾ , sheer panty hose ⁽⁵⁾ , tights ⁽⁵⁾ , and leggings ⁽⁵⁾	Gildan®, Gildan Platinum® ⁽¹⁾ , Under Armour® ⁽³⁾ , GoldToe®, PowerSox®, GT a GoldToe Brand®, Silver Toe®, Signature Gold by Goldtoe®, Peds®, MediPeds®, Kushyfoot® ⁽¹⁾ , Therapy Plus® ⁽¹⁾ , All Pro®, Secret® ⁽¹⁾ , Silks® ⁽¹⁾ , Secret Silky®, American Apparel®
Underwear	men's and boys' underwear (tops and bottoms) and ladies panties	Gildan®, Gildan Platinum® ⁽¹⁾
Intimates	ladies' shapewear, intimates, and accessories	Secret® ⁽¹⁾ , Secret Silky®

(1) Gildan Platinum® and Kushyfoot® are registered trademarks in the U.S. Secret®, Silks®, and Therapy Plus® are registered trademarks in Canada.

(2) Comfort Colors® and Alstyle® are registered trademarks in the U.S.

(3) Under license agreement for socks only - with exclusive distribution rights in the U.S. and Canada.

(4) Applicable only to Therapy Plus® and MediPeds®.

(5) Applicable only to Secret®, Silks®, Secret Silky®, and Peds®.

3.2.2 Manufacturing

The vast majority of our products are manufactured in facilities that we own and operate. To a lesser extent, we also use third-party contractors to supplement our requirements. Our vertically-integrated manufacturing operations include capital-intensive yarn-spinning, textile and sock manufacturing facilities, as well as labour-intensive sewing facilities. Our manufacturing operations are situated in four main hubs, specifically in the United States, Central America, the Caribbean, and Bangladesh. All of our yarn-spinning operations are located in the United States, while textile, sewing, and sock manufacturing operations are situated in the other geographical hubs mentioned above, the largest of which is in Central America, in Honduras.

In order to support further sales growth, we have expanded our manufacturing capacity in Central America and have plans to significantly expand our manufacturing operations in Bangladesh. In 2019, we purchased land, in close proximity to our existing facility in Bangladesh, which is intended to be used for the development of a large multi-plant manufacturing complex expected to house two large textile facilities and related sewing operations. The manufacturing expansion is expected to service international markets and support other key sales growth drivers. By the end of the first quarter of 2020 we had ramped down production and closed our textile and sewing operations in Mexico and started the process of relocating the equipment from these facilities to our operations within our global manufacturing network. In light of the current COVID-19 pandemic and the impact it is having on global economic activity, including our own business, we are temporarily deferring non-critical capital investments, including major investments for capacity expansion. Investments towards our Bangladesh expansion is expected to be limited for the next six months to the construction of the foundation for the first plant in the complex, which in relation to the total estimated cost of the project is a relatively small investment.

The following table provides a summary of our primary manufacturing operations by geographic area:

	United States	Central America	Caribbean	Asia
Yarn-spinning facilities⁽¹⁾: conversion of cotton, polyester and other fibres into yarn	<ul style="list-style-type: none"> ■ Clarkton, NC ■ Cedartown, GA ■ Salisbury, NC (2 facilities) ■ Mocksville, NC ■ Eden, NC 			
Textile facilities: knitting yarn into fabric, dyeing and cutting fabric		<ul style="list-style-type: none"> ■ Honduras (4 facilities) 	<ul style="list-style-type: none"> ■ Dominican Republic 	<ul style="list-style-type: none"> ■ Bangladesh
Sewing facilities⁽²⁾: assembly and sewing of cut goods		<ul style="list-style-type: none"> ■ Honduras (3 facilities) ■ Nicaragua (3 facilities) 	<ul style="list-style-type: none"> ■ Dominican Republic (2 facilities) 	<ul style="list-style-type: none"> ■ Bangladesh
Garment-dyeing⁽³⁾: pigment dyeing or reactive dyeing process		<ul style="list-style-type: none"> ■ Honduras 		
Hosiery manufacturing facilities: conversion of yarn into finished socks		<ul style="list-style-type: none"> ■ Honduras 		

(1) While the majority of our yarn requirements are internally produced, we also use third-party yarn-spinning suppliers, primarily in the U.S., to satisfy the remainder of our yarn needs.

(2) Although the majority of our sewing facilities are Company-operated, we also use the services of third-party sewing contractors, primarily in Haiti, and other regions in Central America to satisfy the remainder of our sewing requirements.

(3) Garment dyeing is a feature of our Comfort Colors® products only, which involves a different dyeing process than how we typically dye the majority of our products. Our garment dyeing operations are located in our Rio Nance 3 facility in Honduras.

3.2.3 Genuine Responsibility®

Embedded in our long-term vision of 'Making Apparel Better', our commitment to operating responsibly and integrating sustainability into our business practices is a key part of our business strategy and has been an important element of our success. Over the past two decades, we have developed our Genuine Responsibility® Corporate Responsibility program, incorporating industry-leading guidelines to govern our business activities and operations, and to provide a framework for responsible labour practices, sustainability programs, and social initiatives. Our program is centered around three fundamental priorities, namely 'Caring for our People', 'Conserving the Environment', and 'Creating Stronger Communities'.

We are committed to empowering our people through training and development programs and providing industry leading working conditions and progressive compensation packages at each of our worldwide locations. Our efforts around conserving the environment include the investment in and implementation of innovative solutions that reduce the environmental impact of our operations throughout our supply chain, including responsibly managing water usage, wastewater, energy, carbon emissions, and solid waste. We also strive to create stronger communities in all regions where we operate through dedicated support for education, active living, entrepreneurship, and environmental stewardship initiatives.

Gildan recognizes that transparency is an important driver of our ongoing efforts, allowing closer engagement with a wide array of stakeholders, and is proud to have published its sixteenth consecutive annual Environmental, Social and Governance (ESG) Report in 2020. Reported under the stringent GRI-Comprehensive guidelines, this report

describes our progress, challenges, and future goals and initiatives. We are proud of our accomplishments in the area of corporate responsibility and the recognitions we have earned, including our seventh consecutive inclusion in the Dow Jones Sustainability Index, our 12th FundahRSE CSR seal, and more recently on October 14th, Gildan's strong placement in The Wall Street Journal's inaugural ranking of the Top 100 Most Sustainably Managed Companies in the world. We remain committed to furthering our efforts in the areas of focus we have outlined as part of our Genuine Responsibility® program. Please refer to www.genuineresponsibility.com for more information.

3.2.4 Sales, marketing and distribution

Our global sales and marketing office is located in Christ Church, Barbados, out of which we have established customer-related functions, including sales management, marketing, customer service, credit management, sales forecasting, and production planning, as well as inventory control and logistics. We also maintain sales support offices in the U.S. We have established extensive distribution operations primarily through internally managed and operated distribution centres. We distribute our products primarily out of large Company-operated U.S. distribution centres and smaller facilities in the U.S., as well as out of our Company-owned distribution facility in Honduras. To supplement some of our distribution needs, we also use third-party warehouses in North America, Europe, and Asia.

3.2.5 Employees and corporate office

During the second quarter of 2020, we continued to manage and align our operations with the current demand environment, and taking into consideration the uncertainty that remains with respect to the ultimate impact of the pandemic and the pace at which global economies will recover, we reduced our overall manufacturing workforce by approximately 6,000 employees and our SG&A workforce by approximately 380 employees to adjust to the current demand environment.

We currently employ approximately 45,000 employees worldwide. Our corporate head office is located in Montreal, Canada.

3.3 Competitive environment

The basic apparel market for our products is highly competitive and continuously evolving. Changing market dynamics, such as the growth of online shopping, declining store traffic trends, as well as retailer closures and consolidation, are intensifying competition. Competition is generally based upon price, quality and consistency, service, comfort, fit, style, and brand. We compete on these factors by leveraging our competitive strengths, including our strategically located manufacturing operations and supply chain, scale, cost structure, global distribution, and our brand positioning in the markets we serve. Not all of our competitors manufacture their own products and among those competitors that do, we believe we are more vertically-integrated. More specifically, our vertical integration begins with owning and operating large-scale yarn-spinning facilities, where we produce yarn, which is then used to produce fabric in our textile operations, before being cut and assembled in our Company-operated sewing facilities. We believe our manufacturing skill set together with the significant supply chain infrastructure that we have developed, and in which we have made significant capital investments over time, are key competitive strengths.

We face competition from large and smaller U.S.-based and foreign manufacturers or suppliers of basic family apparel. Among the larger competing North American-based manufacturers are Fruit of the Loom, Inc., a subsidiary of Berkshire Hathaway Inc., which competes through its own brand offerings and those of its subsidiary, Russell Corporation, as well as Hanesbrands Inc. These companies manufacture out of some of the same geographies as Gildan and compete primarily within the same basic apparel product categories in similar channels of distribution in North America and international markets. In socks and underwear, our competitors also include Renfro Corporation, Jockey International, Inc., and Kayser Roth Corporation. In addition, we compete with smaller U.S.-based companies selling to or operating as wholesale distributors of imprintable activewear products, including Next Level Apparel, Color Image Apparel, Inc. (owner of the Bella + Canvas brand), and Delta Apparel Inc., as well as Central American and Mexican manufacturers that supply products in the imprintables channel. Competing brands also include various private label brands controlled and sold by many of our customers, including wholesale distributors within the imprintables channel and retailers. In recent years, we have seen an increase in private label offerings, particularly within the mass retail channel, replacing branded offerings. While private brands may compete against our own brands, the shift to private brand offerings by retailers is also presenting the Company with revenue-generating opportunities, as these retailers seek strategic suppliers with the type of manufacturing capabilities that we can provide to support their offerings.

4.0 STRATEGY AND OBJECTIVES

We execute our strategy by leveraging our competitive strengths, including our manufacturing excellence, our large-scale, low-cost vertically-integrated supply chain, our reputation for leading sustainable and ethical practices, our strong brands and long-standing customer relationships, as well as the talent of our people.

Back to Basics

Two years ago, we embarked on our “Back to Basics” plan to simplify our business and optimize operations by removing some of the complexity that had built up into our business over the years through acquisitions. We started to execute on our plans early in 2018 when we realigned our organizational structure and consolidated our business segments into one front-end organization, streamlining administrative, marketing, and merchandising functions and consolidating certain warehouse distribution activities. In 2019, we began to expand on various optimization initiatives and have taken further actions in 2020. We are continuing to focus on the following main areas: i) simplifying our product portfolio and rationalizing less productive styles or SKUs, while introducing new products in under-penetrated North American and international growth areas; ii) driving manufacturing cost advantage and flexibility by enhancing our production capabilities through planned capacity expansion and the consolidation of higher-cost textile, sock, and sewing facilities within our existing manufacturing base; and iii) optimizing our distribution network and infrastructure by leveraging our imprintables distributor network, including exiting ship-to-the-piece activities, as well as leveraging the distribution capabilities of our retail and e-commerce partners. Our Back to Basics approach is to focus on what we do best and remain close to the roots of our success, of being a world-class manufacturer of basic apparel and leveraging our core competencies to drive our four main strategic growth drivers.

4.1 Growing share with imprintable brands

Several trends in imprintables are contributing positively to overall growth prospects, including the arrival of online players offering custom printed products and making decorated apparel more accessible to individuals and small businesses. Furthermore, advancements in digital printing, in terms of speed, affordability and quality, as well as reducing the barriers to entry with lower set-up costs compared to traditional screen printing, have created new opportunities for decorators and online players.

4.1.1. Driving market share growth in higher value ring-spun products

In the North American imprintables channel, the Company historically focused on the basics category of activewear products, manufactured primarily from open-end cotton yarn and tubular manufacturing production, and over the years gained significant market share with the Gildan® brand becoming the leader in this category. In more recent years, we have seen an acceleration of demand for softer and lighter fabrics, often referred to as fashion basics products. These products are produced with higher quality ring-spun cotton yarns and/or blended yarn fibres and may feature more fitted silhouettes, side-seam stitching, and stretch attributes, among other characteristics. Over the last few years, we started to position ourselves to compete and gain market share in this category of imprintables. We developed and acquired brands which we believe are well positioned to drive growth in fashion basics. We invested in developing our own yarn-spinning manufacturing facilities, thereby securing our own cost-effective ring-spun yarn supply and we have invested in equipment geared for some of our fashion basics products. Our portfolio of fashion basics brands under the Gildan® brand umbrella for the value-oriented customer includes the Gildan® Softstyle®, Gildan® Hammer™, and Anvil® by Gildan® brands. In addition, under the Gildan Performance® line we market products featuring moisture wicking and anti-microbial properties for long-lasting comfort and performance. Our higher price point fashion offerings include the American Apparel® brand positioned as a premium brand in fashion basics, and the Comfort Colors® brand, also a premium brand, which features garment-dyed activewear products. With a comprehensive portfolio, covering a wide range of fabrications, weights, and styles at different price points, supported by cost-effective manufacturing operations, including yarn capabilities, we believe we are well positioned to drive market leadership for higher value ring-spun products, reinforce our core brands, and grow in under-penetrated categories.

4.1.2. Driving international growth

We are also pursuing further growth within the imprints channel of international markets, focusing on Europe, Asia-Pacific, and Latin America, where we estimate the addressable market opportunity in aggregate to be large. We have plans to expand our manufacturing capacity in Bangladesh, as described in Section 3.2.2 to support further penetration in these markets where our growth has been somewhat restricted by capacity availability. We believe the expansion of manufacturing capabilities in Bangladesh, with the development of a large multi-plant manufacturing complex, will enhance our positioning to service international markets and support other key sales growth drivers. The planned incremental capacity from Bangladesh is expected to allow us to fully service the European and Asian markets from Bangladesh and free up capacity in Central America, which is currently used to support some of our requirements for the European market. Freed up capacity in Central America is expected to be used to support incremental sales growth in North America and Latin America. Further to expanding manufacturing capacity in support of driving international imprints growth, we also intend to leverage the breadth of our core North American product line to further develop and broaden our international product offering and enhance the profitability mix of our international sales.

4.2 Driving new opportunities with our retail brands

Gildan's retail brands, including Gildan®, American Apparel®, GoldToe®, Peds®, Secret® and related brand extensions, as well as Under Armour®, a licensed brand for socks, are well established within the retail channel, with presence in both brick and mortar stores and online platforms. E-commerce is increasingly gaining share in the retail industry and we recognize that there is opportunity to grow our brand presence online. We are targeting to grow the sales of our brands with retailers, focusing on customers with omni-channel presence. Under our Back to Basics strategy we are focusing on our core competencies, offering our customers large-scale reliable manufacturing for high quality products at attractive prices while we seek to leverage the reach and strength of our customers' e-commerce infrastructure and extensive distribution capabilities.

4.3 Capitalizing on shift to private brands

In recent years, we have seen a resurgence of private label brands by traditional retailers trying to differentiate their offering and enhance profitability. While we continue to pursue sales growth with our own brands, in light of the rising trend of retailers shifting focus to proprietary private label brands, particularly mass merchants, we recognize our strong positioning to supply retailers who are seeking low-cost, large-scale reliable manufacturers to support their private label program requirements. We intend to pursue private label programs aligned with our operational and financial criteria, including product and SKU complexity and size of program, financial return targets, duration of the agreement, and working capital investment requirements, among other considerations. We have also developed strong relationships with, and are targeting to grow our sales as a supply chain partner to select leading global athletic and lifestyle brands for which we manufacture products but against which our brands do not compete directly. These customers market their brands through their own retail stores, online and/or in other retailer outlets. We believe we are well positioned to service global brands that are increasingly looking to source from manufacturers that meet rigorous quality and social compliance criteria and are strategically located in the Western Hemisphere. Additionally, the majority of our sales to global lifestyle brands is primarily derived from the sale of activewear products. In recent years, we have expanded to also selling sock products to one of our global brand customers. We believe there is an opportunity to leverage our relationships with these customers to continue to grow our sales in activewear and expand into the other product categories we manufacture, such as socks and underwear.

4.4 Enhancing sales and earnings growth with acquisitions that complement our strategy

We believe we can enhance our sales and earnings growth with complementary strategic acquisitions which meet our criteria. Over the past decade, we have completed acquisitions which have added brands to our portfolio or expanded our product offering, enhanced our manufacturing capabilities, or expanded our distribution or presence in geographical markets. The three main considerations around which we have developed our criteria for evaluating acquisition opportunities include: (1) strategic fit; (2) ease of integration; and (3) financial targets, including return on investment thresholds, based on our risk-adjusted cost of capital.

5.0 OPERATING RESULTS

5.1 Non-GAAP financial measures

We use non-GAAP financial measures (non-GAAP measures) to assess our operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. In this MD&A, we use non-GAAP measures including adjusted net earnings, adjusted diluted EPS, adjusted gross profit, adjusted gross margin, adjusted operating income, adjusted operating margin, adjusted EBITDA, free cash flow, total indebtedness and net indebtedness, and net debt leverage ratio to measure our performance and financial condition from one period to the next, which excludes the variation caused by certain adjustments that could potentially distort the analysis of trends in our operating performance, and because we believe such measures provide meaningful information on the Company's financial condition and financial performance.

We refer the reader to section 16.0 entitled "Definition and reconciliation of non-GAAP financial measures" in this MD&A for the definition and complete reconciliation of all non-GAAP measures used and presented by the Company to the most directly comparable IFRS measures.

5.2 Summary of quarterly results

The table below sets forth certain summarized unaudited quarterly financial data for the eight most recently completed quarters. This quarterly information is unaudited and has been prepared in accordance with IFRS. The operating results for any quarter are not necessarily indicative of the results to be expected for any future period.

For the three months ended (in \$ millions, except share and	Sep 27, 2020	Jun 28, 2020	Mar 29, 2020	Dec 29, 2019	Sep 29, 2019	Jun 30, 2019	Mar 31, 2019	Dec 30, 2018
Net sales	602.3	229.7	459.1	658.7	739.7	801.6	623.9	742.7
Net earnings (loss)	56.4	(249.7)	(99.3)	32.5	104.9	99.7	22.7	59.6
Net earnings (loss) per share:								
Basic ⁽¹⁾	0.28	(1.26)	(0.50)	0.16	0.51	0.49	0.11	0.29
Diluted ⁽¹⁾	0.28	(1.26)	(0.50)	0.16	0.51	0.49	0.11	0.29
Weighted average number of shares outstanding (in '000s):								
Basic	198,257	198,201	198,624	201,407	203,684	204,960	206,595	206,796
Diluted	198,304	198,201	198,624	201,593	204,263	205,520	207,057	207,122

(1) Quarterly EPS may not add to year-to-date EPS due to rounding.

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

5.2.1 Seasonality and other factors affecting the variability of results and financial condition

Our results of operations for interim and annual periods are impacted by the variability of certain factors, including, but not limited to, changes in end-use demand and customer demand, our customers' decision to increase or decrease their inventory levels, changes in our sales mix, and fluctuations in selling prices and raw material costs. While our products are sold on a year-round basis, our business experiences seasonal changes in demand which result in quarterly fluctuations in operating results. Although certain products have seasonal peak periods of demand, competitive dynamics may influence the timing of customer purchases causing seasonal trends to vary somewhat from year to year. Historically, demand for T-shirts is lowest in the fourth quarter and highest in the second quarter of the year, when distributors purchase inventory for the peak summer selling season. Demand for fleece is typically highest in advance of the fall and winter seasons, in the second and third quarters of the year. Sales of hosiery and underwear are higher during the second half of the year, during the back-to-school period and the Christmas holiday selling season. These seasonal sales trends of our business also result in fluctuations in our inventory levels throughout the year. For fiscal 2020, net sales and inventory levels are not expected to follow historical patterns of seasonality due to the impact of the COVID-19 pandemic.

Our results are also impacted by fluctuations in the price of raw materials and other input costs. Cotton and polyester fibres are the primary raw materials used in the manufacture of our products, and we also use chemicals, dyestuffs, and trims, which we purchase from a variety of suppliers. Cotton prices are affected by consumer demand, global supply, which may be impacted by weather conditions in any given year, 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. While we enter into purchase contracts and derivative financial instruments in advance of delivery to establish firm prices for the cotton component of our yarn requirements, our realized cotton costs can fluctuate significantly between interim and annual reporting periods. Energy costs in our results of operations are also affected by fluctuations in crude oil, natural gas, and petroleum prices, which can also influence transportation costs and the cost of related items used in our business, such as polyester fibres, chemicals, dyestuffs, and trims. Changes in raw material costs are initially reflected in the cost of inventory and only impact net earnings when the respective inventories are sold.

Business acquisitions may affect the comparability of results. There have not been any significant business acquisitions during the last eight quarters. In addition, management decisions to consolidate or reorganize operations, including the closure of facilities, may result in significant restructuring costs in an interim or annual period. Subsection 5.4.5 entitled "Restructuring and acquisition-related costs" in this MD&A contains a discussion of costs related to the Company's restructuring actions and business acquisitions. The effect of asset write-downs, including allowances for expected credit losses, provisions for discontinued inventories, and impairments of long-lived assets can also affect the variability of our results. As part of our Back to Basics strategy, we recorded charges of \$55 million that affected net earnings in the fourth quarter of fiscal 2019, related to the significant reduction of our imprintables product line SKU count in connection with our exit of all ship-to-the-piece activities and the discontinuance of overlapping and less productive styles and SKUs between brands. In the first and second quarters of 2020, we recorded additional charges of \$8.0 million and \$26.0 million, respectively, related to our strategic initiative to significantly reduce our imprintables product line SKU count. Subsection 5.4.4 entitled "Impairment of trade accounts receivable" in this MD&A contains a discussion of allowances for expected credit losses, including an impairment of trade accounts receivable of \$20.8 million in the first quarter of fiscal 2020, followed by a net recovery in the impairment of trade accounts receivable of \$5.8 million in the second and third quarters of fiscal 2020, and an impairment of trade accounts receivable of \$24.4 million in the first quarter of fiscal 2019. Subsection 5.4.6 entitled "Impairment of goodwill and intangible assets" in this MD&A contains a discussion relating to the impairment charge of \$94.0 million for the Hosiery cash-generating unit (CGU) that was recorded in the first quarter of fiscal 2020.

Our results of operations for the three and nine months ended September 27, 2020 were negatively affected by the significant downturn in demand as a result of the COVID-19 pandemic, as explained in section 3.0 of this MD&A entitled "Update on COVID-19-related impacts and Back to Basics initiatives" and in this section 5.

Our reported amounts for net sales, cost of sales, SG&A expenses, and financial expenses/income are impacted by fluctuations in certain foreign currencies versus the U.S. dollar as described in the "Financial risk management" section of this MD&A. The Company periodically uses derivative financial instruments to manage risks related to fluctuations in foreign exchange rates.

5.3 Selected financial information

<i>(in \$ millions, except per share amounts or otherwise indicated)</i>	Three months ended				Nine months ended			
	Sep 27, 2020	Sep 29, 2019	Variation		Sep 27, 2020	Sep 29, 2019	Variation	
			\$	%			\$	%
Net sales	602.3	739.7	(137.4)	(18.6)%	1,291.1	2,165.2	(874.1)	(40.4)%
Gross profit	135.5	202.7	(67.2)	(33.2)%	93.6	586.2	(492.6)	(84.0)%
Adjusted gross profit ⁽¹⁾	135.5	202.7	(67.2)	(33.2)%	127.6	586.2	(458.6)	(78.2)%
SG&A expenses	61.5	79.0	(17.5)	(22.2)%	200.4	264.0	(63.6)	(24.1)%
Impairment of (impairment) of trade accounts receivable	0.5	1.5	(1.0)	(66.7)%	15.0	26.3	(11.3)	(43.0)%
Restructuring and acquisition-related costs	4.7	4.4	0.3	6.8 %	43.9	31.3	12.6	40.3 %
Impairment of goodwill and intangible assets	—	—	—	—	94.0	—	94.0	—
Operating income (loss)	68.8	117.9	(49.1)	(41.6)%	(259.7)	264.7	(524.4)	n.m.
Adjusted operating income (loss) ⁽¹⁾	73.5	122.3	(48.8)	(39.9)%	(87.8)	296.0	(383.8)	n.m.
Adjusted EBITDA ⁽¹⁾	106.9	162.0	(55.1)	(34.0)%	19.9	419.8	(399.9)	(95.3)%
Financial expenses	11.4	9.9	1.5	15.2 %	35.4	29.6	5.8	19.6 %
Income tax expense (recovery)	1.0	3.1	(2.1)	(67.7)%	(2.4)	7.8	(10.2)	n.m.
Net earnings (loss)	56.4	104.9	(48.5)	(46.2)%	(292.6)	227.3	(519.9)	n.m.
Adjusted net earnings (loss) ⁽¹⁾	59.2	108.4	(49.2)	(45.4)%	(126.2)	256.2	(382.4)	n.m.
Basic EPS	0.28	0.51	(0.23)	(45.1)%	(1.48)	1.11	(2.59)	n.m.
Diluted EPS	0.28	0.51	(0.23)	(45.1)%	(1.48)	1.11	(2.59)	n.m.
Adjusted diluted EPS ⁽¹⁾	0.30	0.53	(0.23)	(43.4)%	(0.64)	1.25	(1.89)	n.m.
Gross margin	22.5 %	27.4 %	n/a	(4.9) pp	7.2 %	27.1 %	n/a	(19.9) pp
Adjusted gross margin ⁽¹⁾	22.5 %	27.4 %	n/a	(4.9) pp	9.8 %	27.1 %	n/a	(17.3) pp
SG&A expenses as a percentage of sales	10.2 %	10.7 %	n/a	(0.5) pp	15.5 %	12.2 %	n/a	3.3 pp
Operating margin	11.4 %	15.9 %	n/a	(4.5) pp	(20.1)%	12.2 %	n/a	(32.3) pp
Adjusted operating margin ⁽¹⁾	12.2 %	16.5 %	n/a	(4.3) pp	(6.7)%	13.7 %	n/a	(20.4) pp

n.m. = not meaningful

n/a = not applicable

	Sep 27, 2020	Dec 29, 2019	Variation	
			\$	%
Total assets	2,956.1	3,211.1	(255.0)	(7.9)%
Total non-current financial liabilities	1,000.0	845.0	155.0	18.3 %
Net indebtedness ⁽¹⁾	850.4	862.4	(12.0)	(1.4)%
Quarterly cash dividend declared per common share	n/a	0.134	n/a	n/a
Net debt leverage ratio ⁽¹⁾⁽²⁾	5.7	1.6	n/a	n/a

n/a = not applicable

(1) See section 16.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

(2) The Company's net debt to EBITDA ratio for purposes of its loan and note agreements was 2.0 at September 27, 2020. Refer to section 8.2 of this MD&A.

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

5.4 Operating review

5.4.1 Net sales

<i>(in \$ millions, or otherwise indicated)</i>	Three months ended				Nine months ended			
	Sep 27, 2020	Sep 29, 2019	Variation		Sep 27, 2020	Sep 29, 2019	Variation	
			\$	%			\$	%
Activewear	456.3	619.2	(162.9)	(26.3)%	960.5	1,778.3	(817.8)	(46.0)%
Hosiery and underwear ⁽¹⁾	146.0	120.5	25.5	21.2 %	330.6	386.9	(56.3)	(14.6)%
Total net sales	602.3	739.7	(137.4)	(18.6)%	1,291.1	2,165.2	(874.1)	(40.4)%

(1) Also includes intimates and other fringe products.

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

Total net sales for the third quarter ended September 27, 2020 of \$602 million declined 18.6% compared to last year, reflecting a decline of 26.3% in activewear sales, partly offset by a 21.2% sales increase in the hosiery and underwear category compared to the third quarter of 2019. The decline in activewear sales was primarily driven by lower unit sales volumes, unfavourable product-mix, and higher imprintables promotional discounting. Imprintables sales volumes were down 21% in North America and 25% in our international markets over the prior year, reflecting the ongoing impact from the COVID-19 pandemic. Despite the sales volume decline, POS trends in our imprintables channels remained relatively stable through the third quarter, on average down year-over-year approximately 15% to 20% in North America and approximately 25% in international markets, largely in line with the POS levels we saw in these markets as we exited the second quarter this year. Although we did see distributor destocking in the third quarter, the level of destocking was significantly lower than the second quarter. On the retail side, activewear sales were down slightly compared to last year. The 21.2% increase in the hosiery and underwear sales category was driven by strong momentum from our private and Gildan® branded underwear products which continued to gain share and doubled in sales in the quarter. Although hosiery sales in the quarter improved sequentially, sales were slightly down compared to the prior year.

Net sales for the first nine months of 2020 were down 40.4% over the same period last year, reflecting declines of 46.0% in activewear sales and 14.6% in the hosiery and underwear category. The decrease in activewear sales was primarily due to lower unit sales due to the downturn in demand as a result of the COVID-19 pandemic combined with the impact of distributor inventory destocking in imprintables, unfavourable product-mix, and the impact of our pricing action in the U.S. imprintables channel. The year-to-date decline in sales in the hosiery and underwear category also reflected the COVID-related impact on demand in retail channels of distribution, specifically lower demand in socks, as well as the impact of the exit of a sock program in the mass channel, partly offset by a 50% increase in private brand men's underwear sales.

5.4.2 Gross profit and adjusted gross profit

	Three months ended			Nine months ended		
	Sep 27, 2020	Sep 29, 2019	Variation	Sep 27, 2020	Sep 29, 2019	Variation
<i>(in \$ millions, or otherwise indicated)</i>						
Gross profit	135.5	202.7	(67.2)	93.6	586.2	(492.6)
Adjustment for:						
Impact of strategic product line initiative ⁽¹⁾	—	—	—	34.0	—	34.0
Adjusted gross profit ⁽²⁾	135.5	202.7	(67.2)	127.6	586.2	(458.6)
Gross margin	22.5 %	27.4 %	(4.9) pp	7.2 %	27.1 %	(19.9) pp
Adjusted gross margin ⁽²⁾	22.5 %	27.4 %	(4.9) pp	9.8 %	27.1 %	(17.3) pp

(1) For the nine months ended September 27, 2020, includes \$29.2 million of inventory write-downs included in cost of sales and the \$4.8 million gross profit impact of a sales return allowance for anticipated product returns related to discontinued SKUs (which reduced net sales by \$11.2 million and cost of sales by \$6.4 million).

(2) See section 16.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

Gross margin in the quarter was 22.5%, reflecting a strong sequential improvement from the gross loss incurred in the second quarter which reflected significant COVID-19 impacts and Back to Basics charges. Compared to the third quarter last year, gross margin was down 490 basis points mainly due to a 280 basis point unfavourable product-mix impact, an approximate \$15 million or 250-basis point impact on gross margin related to lower manufacturing capacity utilization costs, as well as lower net selling prices due to the continuation of higher promotional imprints discounting in the quarter. These factors more than offset the benefit of manufacturing cost efficiencies stemming from our Back to Basics initiatives and lower raw material costs compared to the prior year. Although product-mix was unfavourable in the quarter, the impact on gross margin was far less than the 600-basis point impact we saw in the second quarter and we expect the negative impact from product-mix to reverse as our sales continue to normalize. For the first nine months of fiscal 2020, the significant decline in gross profit and adjusted gross profit compared to the same period last year was mainly due to lower unit sales volumes, unfavourable product mix, higher promotional imprints discounting, as well as various costs and charges primarily relating to the economic impacts of the COVID-19 pandemic which were largely incurred in the second quarter of fiscal 2020. These costs and charges were primarily for unabsorbed manufacturing costs while production facilities were idle or operating at below capacity levels, inventory provisions and other asset charges, as well as the impact of exiting excess commodity derivative hedges and cotton commitments.

5.4.3 Selling, general and administrative expenses (SG&A)

	Three months ended			Nine months ended		
	Sep 27, 2020	Sep 29, 2019	Variation	Sep 27, 2020	Sep 29, 2019	Variation
<i>(in \$ millions, or otherwise indicated)</i>						
SG&A expenses	61.5	79.0	(17.5)	200.4	264.0	(63.6)
SG&A expenses as a percentage of sales	10.2%	10.7%	(0.5) pp	15.5 %	12.2%	3.3 pp

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

The decline in SG&A expenses for the third quarter and first nine months of 2020 compared to the same periods last year was due mainly to lower compensation and lower volume-driven distribution expenses and the benefit of continued cost savings stemming from our Back to Basics initiatives.

5.4.4 Impairment of trade accounts receivable

For the three months ended September 27, 2020, impairment of trade accounts receivable was \$0.5 million, compared to \$1.5 million for the three months ended September 29, 2019. For the nine months ended September 27, 2020, impairment of trade accounts receivable was \$15.0 million, compared to \$26.3 million for the nine months ended September 29, 2019.

Although we did not incur any significant customer-specific write-offs of trade accounts receivable, the impairment of trade accounts receivable for the nine months ended September 27, 2020 was mainly related to an increase in the estimate of expected credit losses (ECLs) attributable to the heightened credit risk caused by the COVID-19 pandemic as described in note 4 to the unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 27, 2020. Following the impairment of trade accounts receivable of \$20.8 million in the first quarter of fiscal 2020 to reflect additional ECLs due to the COVID-19 economic impacts and uncertainties, an aggregate partial recovery of the impairment of trade accounts receivable of \$5.8 million was recorded during the second and third quarters of fiscal 2020 due to a decrease in accounts receivable trade balances. The impairment of trade accounts receivable for the nine months ended September 29, 2019 consisted primarily of a \$22.3 million charge relating to the receivership and liquidation of one of the Company's U.S. distributor customers which largely related to the first quarter of fiscal 2019.

5.4.5 Restructuring and acquisition-related costs

<i>(in \$ millions, or otherwise indicated)</i>	Three months ended			Nine months ended		
	Sep 27, 2020	Sep 29, 2019	Variation	Sep 27, 2020	Sep 29, 2019	Variation
Employee termination and benefit costs	1.0	2.8	(1.8)	9.0	10.0	(1.0)
Exit, relocation and other costs	3.3	3.7	(0.4)	11.2	13.0	(1.8)
Net loss (gain) on disposal, write-downs, and accelerated depreciation of property, plant and equipment, right-of-use assets and software related to exit activities	0.5	(2.2)	2.7	23.8	8.3	15.5
	4.8	4.3	0.5	44.0	31.3	12.7

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

Restructuring and acquisition-related costs for the nine months ended September 27, 2020 related to the following: \$22.1 million for the closure of a yarn-spinning plant in the U.S., including accelerated depreciation of right-of-use assets and equipment; \$9.4 million for the closure of textile manufacturing and sewing operations in Mexico; \$5.9 million for the exit of ship-to-the-piece activities, including computer software write-downs and warehouse consolidation costs; \$2.3 million for SG&A workforce reductions; and \$4.2 million in other costs, including costs incurred to complete restructuring activities that were initiated in fiscal 2019.

Restructuring and acquisition-related costs for the nine months ended September 29, 2019 related to the following: \$6.0 million for the exit of yarn recycling activities, including the planned disposal of yarn recycling equipment; \$6.5 million for the closure of a hosiery manufacturing plant in Canada; \$9.6 million for the consolidation of sewing activities, primarily in Honduras and Mexico; \$4.4 million for the closure of a yarn-spinning plant in the U.S.; \$1.3 million for the closure of an administrative office in the U.S.; \$1.5 million for the closure of a distribution centre in the U.S.; and \$2.0 million in other costs to complete restructuring activities that were initiated in fiscal 2018, including the closure of the AKH textile manufacturing facility and the consolidation of U.S. distribution centres.

5.4.6 Impairment of goodwill and intangible assets

Due to the adverse impacts of the COVID-19 pandemic on global economic activity and enterprise values of companies worldwide, including its impact on the Company's business and share price, we recorded an impairment charge for our Hosiery CGU of \$94 million in the first quarter of fiscal 2020, relating to goodwill and intangible assets acquired in previous sock and hosiery business acquisitions, as described in note 6 to the unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 27, 2020.

5.4.7 Operating income and adjusted operating income

<i>(in \$ millions, or otherwise indicated)</i>	Three months ended			Nine months ended		
	Sep 27, 2020	Sep 29, 2019	Variation	Sep 27, 2020	Sep 29, 2019	Variation
Operating income (loss)	68.8	117.9	(49.1)	(259.7)	264.7	(524.4)
Adjustments for:						
Restructuring and acquisition-related costs	4.7	4.4	0.3	43.9	31.3	12.6
Impairment of goodwill and intangible assets	—	—	—	94.0	—	94.0
Impact of strategic product line initiative ⁽¹⁾	—	—	—	34.0	—	34.0
Adjusted operating income (loss) ⁽²⁾	73.5	122.3	(48.8)	(87.8)	296.0	(383.8)
Operating margin	11.4 %	15.9 %	(4.5) pp	(20.1)%	12.2 %	(32.3) pp
Adjusted operating margin ⁽²⁾	12.2 %	16.5 %	(4.3) pp	(6.7)%	13.7 %	(20.4) pp

(1) For the nine months ended September 27, 2020, includes \$29.2 million of inventory write-downs included in cost of sales and the \$4.8 million gross profit impact of a sales return allowance for anticipated product returns related to discontinued SKUs (which reduced net sales by \$11.2 million and cost of sales by \$6.4 million).

(2) See section 16.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

The year-over-year decline in operating income and adjusted operating income in the third quarter compared to the third quarter last year was mainly due to lower sales and a lower gross and adjusted gross margin, partly offset by lower SG&A expenses. On a year-to-date basis the Company incurred an operating and adjusted operating loss, compared to an operating and adjusted operating profit generated in the same period last year, largely as a result of COVID-19 related impacts. The lower operating profitability performance was due primarily to the impact of lower sales, the unfavourable gross margin impact as explained in section 5.4.2, and the impairment for goodwill and intangible assets recorded in the first quarter of 2020, partly offset by the decline in SG&A expenses.

5.4.8 Financial expenses, net

<i>(in \$ millions)</i>	Three months ended			Nine months ended		
	Sep 27, 2020	Sep 29, 2019	Variation	Sep 27, 2020	Sep 29, 2019	Variation
Interest expense on financial liabilities recorded at amortized cost	7.5	7.6	(0.1)	23.2	22.0	1.2
Bank and other financial charges	3.4	2.0	1.4	10.9	5.7	5.2
Interest accretion on discounted lease obligations	0.8	0.7	0.1	2.5	2.4	0.1
Interest accretion on discounted provisions	0.1	0.1	—	0.2	0.2	—
Foreign exchange gain	(0.3)	(0.5)	0.2	(1.4)	(0.6)	(0.8)
Financial expenses, net	11.5	9.9	1.6	35.4	29.7	5.7

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

For the nine months ended September 27, 2020, the increase in interest expense compared to the corresponding period last year was mainly due to higher average borrowing levels as described in section 8.2 of this MD&A, largely offset by lower effective interest rates on our long-term debt bearing interest at variable rates. The lower effective interest rates resulted from lower U.S. short-term interest rates partially offset by higher spreads added to the Company's U.S. LIBOR-based variable interest rate debt in connection with the amendments made to the revolving long-term bank credit facility and both term loan facilities as described in section 8.0 of this MD&A entitled "Liquidity and capital resources". The increase in bank and other financial charges for the three and nine months ended September 27, 2020 is due mainly to fees incurred in connection with the amendments made to the revolving long-term bank credit facility, both term loan facilities, and the privately issued notes. Foreign exchange gains for both periods relate primarily to the revaluation of net monetary assets denominated in foreign currencies.

5.4.9 Income taxes

The Company's average effective income tax rate is calculated as follows:

<i>(in \$ millions, or otherwise indicated)</i>	Three months ended			Nine months ended		
	Sep 27, 2020	Sep 29, 2019	Variation	Sep 27, 2020	Sep 29, 2019	Variation
Earnings (loss) before income taxes	57.3	108.0	(50.7)	(295.1)	235.1	(530.2)
Income tax expense (recovery)	1.0	3.1	(2.1)	(2.4)	7.8	(10.2)
Average effective income tax rate	1.7%	2.9%	(1.2) pp	0.8%	3.3%	(2.5) pp

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

For the nine months ended September 27, 2020, income tax recovery included the impact of a \$1.7 million recovery relating to the impairment charge of goodwill and intangible assets, for the de-recognition of deferred income tax liabilities that were originally recorded at the time of acquisition of the intangible assets, and a \$3.8 million recovery relating to restructuring and acquisition-related costs. For the nine months ended September 29, 2019, income tax expense included a \$2.4 million recovery relating to restructuring and acquisition-related costs. Excluding these tax recoveries, the income tax expense for the nine months ended September 27, 2020 was lower than the corresponding period in the prior year due to the loss for the period. The Company is projecting a non-significant tax expense for the full year and is not expecting to recognize any significant tax benefits of any of its pre-tax losses other than for the aforementioned tax recoveries.

5.4.10 Net earnings, adjusted net earnings, and earnings per share measures

<i>(in \$ millions, except per share amounts)</i>	Three months ended			Nine months ended		
	Sep 27, 2020	Sep 29, 2019	Variation	Sep 27, 2020	Sep 29, 2019	Variation
Net earnings (loss)	56.4	104.9	(48.5)	(292.6)	227.3	(519.9)
Adjustments for:						
Restructuring and acquisition-related costs	4.7	4.4	0.3	43.9	31.3	12.6
Impairment of goodwill and intangible assets	—	—	—	94.0	—	94.0
Impact of strategic product line initiative ⁽¹⁾	—	—	—	34.0	—	34.0
Income tax recovery relating to the above-noted adjustments	(1.9)	(0.9)	(1.0)	(5.5)	(2.4)	(3.1)
Adjusted net earnings (loss) ⁽²⁾	59.2	108.4	(49.2)	(126.2)	256.2	(382.4)
Basic EPS	0.28	0.51	(0.23)	(1.48)	1.11	(2.59)
Diluted EPS	0.28	0.51	(0.23)	(1.48)	1.11	(2.59)
Adjusted diluted EPS ⁽²⁾	0.30	0.53	(0.23)	(0.64)	1.25	(1.89)

(1) For the nine months ended September 27, 2020, includes \$29.2 million of inventory write-downs included in cost of sales and the \$4.8 million gross profit impact of a sales return allowance for anticipated product returns related to discontinued SKUs (which reduced net sales by \$11.2 million and cost of sales by \$6.4 million).

(2) See section 16.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

Lower net earnings for the third quarter of 2020 compared to the prior year quarter was mainly due to the decline in operating income. The net loss incurred for the first nine months of 2020 compared to net earnings generated during the same period last year was due to the operating loss incurred for the period.

6.0 FINANCIAL CONDITION

6.1 Current assets and current liabilities

<i>(in \$ millions)</i>	Sep 27, 2020	Dec 29, 2019	Variation
Cash and cash equivalents	232.9	64.1	168.8
Trade accounts receivable	210.2	320.9	(110.7)
Income taxes receivable	4.3	—	4.3
Inventories	938.6	1,052.1	(113.5)
Prepaid expenses, deposits and other current assets	51.0	77.1	(26.1)
Accounts payable and accrued liabilities	(352.1)	(406.6)	54.5
Income tax payable	—	(1.3)	1.3
Current portion of lease obligations	(15.2)	(14.5)	(0.7)
Total working capital	1,069.7	1,091.8	(22.1)

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

- The increase in cash and cash equivalents mainly reflects the free cash flow generated during fiscal 2020, and the net increase in long-term debt consisting of the proceeds from the new \$400 million term loan (as described in section 8.0 of this MD&A entitled "Liquidity and capital resources") less cash used to fully pay down the Company's revolving long-term bank credit facility.
- The decrease in trade accounts receivable (which are net of accrued sales discounts) was mainly due to the impact of lower days sales outstanding mainly as a result of tighter payment terms, the impact of lower sales during the third quarter of fiscal 2020 compared to the fourth quarter of fiscal 2019, and a higher allowance for expected credit losses as described in section 5.4.4 of this MD&A. These factors were partially offset by a lower offset for accruals for sales discounts compared to the end of fiscal 2019 (due to lower sales volumes in fiscal 2020 and the year-end accrued sales discounts including twelve months of accruals for annual rebate programs compared to nine months at the end of the third quarter of fiscal 2020) and the impact of lower sales of trade accounts receivables to a financial institution under a receivables purchase agreement.
- The decrease in inventories was mainly due to lower raw materials and work in progress as a result of lower production volumes as well as planned reductions of inventories. Finished goods inventories decreased due to an increase in inventory net realizable value reserves, decreases in inventory unit volumes, and lower raw material input costs, partially offset by higher cost product-mix. The lower inventory unit volumes reflects alignment with lower sales volumes in fiscal 2020.
- The decrease in prepaid expenses, deposits and other current assets is mainly due to the collection of miscellaneous receivables shortly after the end of fiscal 2019.
- The decrease in accounts payable and accrued liabilities is mainly due to the impact of lower raw material and other purchases resulting from lower production levels in the third quarter of fiscal 2020 compared to the fourth quarter of fiscal 2019, partially offset by higher derivative financial instrument liabilities.
- Working capital was \$1,069.7 million as at September 27, 2020, compared to \$1,091.8 million as at December 29, 2019. The current ratio at the end of the third quarter of fiscal 2020 was 3.9, compared to 3.6 at the end of fiscal 2019.

6.2 Property, plant and equipment, right-of-use assets, intangible assets, and goodwill

<i>(in \$ millions)</i>	Property, plant and equipment	Right-of-use assets	Intangible assets	Goodwill
Balance, December 29, 2019	995.0	73.5	383.9	227.9
Net capital additions	27.2	13.5	2.4	—
Depreciation and amortization	(82.1)	(10.9)	(15.5)	—
Write-downs, impairments, and accelerated depreciation	(6.0)	(15.7)	(74.6)	(21.3)
Balance, September 27, 2020	934.1	60.4	296.2	206.6

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

- Additions to property, plant and equipment were primarily for expenditures related to textile manufacturing and yarn-spinning operations.
- The decrease in right-of-use assets mainly reflects the impact of depreciation as well as accelerated depreciation for the closed yarn-spinning plant lease, partially offset by manufacturing and distribution facility lease renewals entered into during the nine months ended September 27, 2020.
- Intangible assets are comprised of customer contracts and relationships, trademarks, license agreements, non-compete agreements, and computer software. The \$87.7 million decrease in intangible assets mainly reflects the impairment charge of \$72.8 million taken relating to the Hosiery CGU during the first quarter of fiscal 2020 and amortization of \$15.5 million, partially offset by computer software additions of \$2.4 million.
- The \$21.3 million decrease in goodwill reflects the impairment charge taken relating to the Hosiery CGU during the first quarter of fiscal 2020.

6.3 Other non-current assets and non-current liabilities

<i>(in \$ millions)</i>	Sep 27, 2020	Dec 29, 2019	Variation
Deferred income tax assets	13.9	9.9	4.0
Other non-current assets	7.9	6.7	1.2
Long-term debt	(1,000.0)	(845.0)	(155.0)
Lease obligations	(68.1)	(67.0)	(1.1)
Other non-current liabilities	(45.2)	(42.2)	(3.0)

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

- See section 8.0 of this MD&A entitled "Liquidity and capital resources" for the discussion on long-term debt.
- The slight increase in lease obligations mainly reflects the impact of manufacturing and distribution facility lease renewals entered into during the nine months ended September 27, 2020, largely offset by lease payments made during the nine months ended September 27, 2020.
- Other non-current liabilities include provisions and employee benefit obligations. The increase results mainly from statutory severance benefits earned by employees located in the Caribbean and Central America.

7.0 CASH FLOWS

7.1 Cash flows from (used in) operating activities

<i>(in \$ millions)</i>	Three months ended			Nine months ended		
	Sep 27, 2020	Sep 29, 2019	Variation	Sep 27, 2020	Sep 29, 2019	Variation
Net earnings (loss)	56.4	104.9	(48.5)	(292.6)	227.3	(519.9)
Adjustments to reconcile net earnings to cash flows from (used in) operating activities ⁽¹⁾	29.9	52.1	(22.2)	239.4	159.8	79.6
Changes in non-cash working capital balances	64.7	(32.7)	97.4	176.6	(288.5)	465.1
Cash flows from operating activities	151.0	124.3	26.7	123.4	98.6	24.8

(1) Includes depreciation and amortization of \$33.4 million (2019 - \$39.7 million) and \$107.6 million (2019 - \$123.8 million), respectively, for the three and nine months ended September 27, 2020, restructuring charges related to property, plant and equipment, right-of-use assets, and computer software of \$0.5 million (2019 - recovery of \$2.2 million) and \$23.8 million (2019 - \$8.3 million), respectively, for the three and nine months ended September 27, 2020, and impairment of goodwill and intangible assets of \$94.0 million (2019 - nil) for the nine months ended September 27, 2020.

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

- Cash flows from operating activities were \$123.4 million for the nine months ended September 27, 2020, compared to \$98.6 million in the corresponding period last year. Operating cash flows were mainly impacted in fiscal 2020 by lower net earnings (after adding back non-cash earnings charges, including the \$94.0 million impairment charge taken relating to the Hosiery CGU), which was more than offset by a decrease in non-cash working capital, compared to an increase in non-cash working capital in fiscal 2019 as explained below.
- The net decrease in non-cash working capital was \$176.6 million during the nine months ended September 27, 2020, compared to a net increase of \$288.5 million during the nine months ended September 29, 2019. The decrease in non-cash working capital compared to an increase in the same period last year was mainly due to a decrease in trade accounts receivable and inventories in fiscal 2020 compared to an increase in fiscal 2019, partially offset by a decrease in accounts payable and accrued liabilities in fiscal 2020 compared to an increase in fiscal 2019.

7.2 Cash flows from (used in) investing activities

<i>(in \$ millions)</i>	Three months ended			Nine months ended		
	Sep 27, 2020	Sep 29, 2019	Variation	Sep 27, 2020	Sep 29, 2019	Variation
Purchase of property, plant and equipment	(13.0)	(36.9)	23.9	(37.6)	(110.3)	72.7
Purchase of intangible assets	(1.1)	(3.3)	2.2	(7.3)	(8.6)	1.3
Business acquisitions	—	—	—	—	(1.3)	1.3
Proceeds on disposal of property, plant and equipment	0.3	3.2	(2.9)	0.8	5.9	(5.1)
Cash flows used in investing activities	(13.8)	(37.0)	23.2	(44.1)	(114.3)	70.2

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

- Cash used in investing activities during the nine months ended September 27, 2020 was lower than in the corresponding period last year due to less capital spending, including the impact of non-critical capital expenditure deferrals as a result of the COVID-19 pandemic.
- Capital expenditures for the nine months ended September 27, 2020 are described in section 6.2 of this MD&A entitled "Property, plant and equipment, right-of-use assets, intangible assets, and goodwill".
- Cash flows for business acquisitions during the nine months ended September 29, 2019 relate to the payment of the final amounts due in connection with the acquisition of a U.S.-based ring-spun yarn manufacturer in July 2017.

7.3 Free cash flow

<i>(in \$ millions)</i>	Three months ended			Nine months ended		
	Sep 27, 2020	Sep 29, 2019	Variation	Sep 27, 2020	Sep 29, 2019	Variation
Cash flows from operating activities	151.0	124.3	26.7	123.4	98.6	24.8
Cash flows used in investing activities	(13.8)	(37.0)	23.2	(44.1)	(114.4)	70.3
Adjustment for:						
Business acquisitions	—	—	—	—	1.3	(1.3)
Free cash flow ⁽¹⁾	137.2	87.3	49.9	79.3	(14.5)	93.8

(1) See section 16.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

- The year-over-year improvement in free cash flow of \$93.8 million for the nine months ended September 27, 2020 was mainly due to the lower cash flows used in investing activities and favourable changes in working capital compared to the same period last year, as explained in sections 7.1 and 7.2 of this MD&A.

7.4 Cash flows from (used in) financing activities

<i>(in \$ millions)</i>	Three months ended			Nine months ended		
	Sep 27, 2020	Sep 29, 2019	Variation	Sep 27, 2020	Sep 29, 2019	Variation
(Decrease) increase in amounts drawn under long-term bank credit facilities	(367.0)	(51.0)	(316.0)	(245.0)	238.0	(483.0)
Proceeds from term loan	—	—	—	400.0	—	400.0
Payment of lease obligations	(3.9)	(3.5)	(0.4)	(11.2)	(10.1)	(1.1)
Dividends paid	—	(27.5)	27.5	(30.6)	(83.2)	52.6
Proceeds from the issuance of shares	0.3	0.4	(0.1)	0.9	9.0	(8.1)
Repurchase and cancellation of shares	—	—	—	(23.2)	(128.4)	105.2
Withholding taxes paid pursuant to the settlement of non-Treasury RSUs	—	—	—	(0.1)	—	(0.1)
Cash flows (used) from financing activities	(370.6)	(81.6)	(289.0)	90.8	25.3	65.5

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

- Cash flows from financing activities for the nine months ended September 27, 2020 mainly reflect proceeds from the new term loan of \$400.0 million, partially offset by repayments of \$245.0 million on our revolving long-term bank credit facility, the payment of dividends, and the repurchase and cancellation of common shares under NCIB programs as discussed in section 8.7 of this MD&A. For the nine months ended September 29, 2019, cash flows from financing activities mainly reflected the cash inflows of \$238.0 million from funds drawn on our revolving long-term bank credit facility, partially offset by the repurchase and cancellation of common shares under previous NCIB programs and the payment of dividends. See section 8.0 of this MD&A entitled "Liquidity and capital resources" for the discussion on long-term debt.
- The Company declared a cash dividend of \$0.154 per share in February 2020 for an aggregate payment of \$30.6 million, which was paid on April 6, 2020. During the nine months ended September 29, 2019, the Company paid dividends of \$83.2 million. The year-over-year decrease in the dividend is due to the suspension of the quarterly dividend announced in April 2020 as described in sections 8.1 and 8.6 of this MD&A.

8.0 LIQUIDITY AND CAPITAL RESOURCES

8.1 Capital allocation framework

Historically, our primary uses of funds have been for working capital requirements, capital expenditures, business acquisitions, and payment of dividends. We have also used funds for the repurchase of shares. We have funded our requirements with cash generated from operations and with funds drawn from our long-term debt facilities. We have established a capital allocation framework intended to enhance sales and earnings growth as well as shareholder returns. After funding working capital needs, our first priority of cash use has been to fund our organic growth with the required capital investments. Beyond these requirements, our next priorities for allocating capital have been for the support of dividends and for complementary strategic acquisitions which meet our criteria. In addition, when appropriate, we have used excess cash to repurchase shares under normal course issuer bid programs. The Company has set a fiscal year-end net debt leverage target ratio of one to two times pro-forma adjusted EBITDA for the trailing twelve months, which it believes will provide an efficient capital structure and a framework within which it can execute on its capital allocation priorities. Due to the current economic environment resulting from the global COVID-19 pandemic, the Company does not expect to be within its target range at the end of fiscal 2020.

In light of the current economic environment that is being affected by factors related to the COVID-19 pandemic, including its effect on our business, we have implemented actions to preserve cash and ensure we are well-positioned from a liquidity perspective to manage through the current environment, as explained in section 3.0 of this MD&A entitled "Update on COVID-19-related impacts and Back to Basics initiatives" and subsection 11.2 of this MD&A entitled "Liquidity risk". Actions which specifically relate to our capital allocation framework include deferring non-critical capital expenditures and business acquisitions, suspending share repurchases under our current NCIB program, and suspending our quarterly cash dividend. In addition, the Company secured additional financing on April 6, 2020 and amended its various loans and note agreements on June 26, 2020 as described in section 8.2 below.

8.2 Long-term debt and net indebtedness

The Company's long-term debt as at September 27, 2020 is described below.

<i>(in \$ millions, or otherwise indicated)</i>	Effective interest rate ⁽¹⁾	Principal amount		Maturity date
		Sep 27, 2020	Dec 29, 2019	
Revolving long-term bank credit facility, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 3% ⁽²⁾	2.3%	—	245.0	April 2025
Term loan, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 3%, payable monthly ⁽³⁾	2.6%	300.0	300.0	April 2025
Term loan, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1.7% to 3%, payable monthly ⁽³⁾	2.6%	400.0	—	April 2022
Notes payable, interest at fixed rate of 2.70%, payable semi-annually ⁽⁴⁾	2.7%	100.0	100.0	August 2023
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.53%, payable quarterly ⁽⁴⁾	2.7%	50.0	50.0	August 2023
Notes payable, interest at fixed rate of 2.91%, payable semi-annually ⁽⁴⁾	2.9%	100.0	100.0	August 2026
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.57%, payable quarterly ⁽⁴⁾	2.9%	50.0	50.0	August 2026
		1,000.0	845.0	

- (1) Represents the annualized effective interest rate for the nine months ended September 27, 2020, including the cash impact of interest rate swaps, where applicable.
- (2) The Company's unsecured revolving long-term bank credit facility of \$1 billion provides for an annual extension which is subject to the approval of the lenders. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the credit facility agreement and its amendments). In addition, an amount of \$2.0 million (December 29, 2019 - \$22.5 million) has been committed against this facility to cover various letters of credit.
- (3) The unsecured term loans are non-revolving and can be prepaid in whole or in part at any time with no penalties. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the term loan agreements and its amendments).
- (4) The unsecured notes issued for a total aggregate principal amount of \$300 million to accredited investors in the U.S. private placement market can be prepaid in whole or in part at any time subject to the payment of a prepayment penalty as provided for in the Note Purchase Agreement.

In March 2020, the Company amended its unsecured revolving long-term bank credit facility of \$1 billion and its unsecured term loan of \$300 million, in each case to extend the maturity dates from April 2024 to April 2025. On April 6, 2020, the Company entered into a new unsecured two-year term loan agreement for a total principal amount of \$400 million. Under the terms of the revolving long-term bank credit facility, both term loan facilities, and the notes, the Company is required to comply with certain covenants, including maintenance of financial ratios. The increase in long-term debt from December 29, 2019 reflects the proceeds from the new April 2020 term loan of \$400 million offset by repayments of \$245 million on our revolving long-term bank credit facility.

On June 26, 2020, given the rapidly changing environment and level of uncertainty being created by the COVID-19 pandemic and the associated impact on current and future earnings, the Company amended its various loans and note agreements in order to modify its covenants to provide increased financial flexibility.

The amendments effect changes to certain provisions and covenants under the revolving long-term bank credit facility, both term loan facilities, and the privately issued notes during the period beginning March 30, 2020 and ending April 4, 2021 (the "covenant relief period"), as follows:

- An increase in the maximum Total Net Debt to EBITDA Ratio (ratio of the Company's total debt to EBITDA for the preceding four fiscal quarters) from 3.25 to 1.00 to (i) 3.50 to 1.00 for the fiscal quarter ending September 27, 2020, (ii) 4.50 to 1.00 for the fiscal quarter ending January 3, 2021, (iii) 4.50 to 1.00 for the fiscal quarter ending April 4, 2021, and (iv) 3.50 to 1.00 for the fiscal quarter ending July 4, 2021 and at all times thereafter;
- A decrease in the minimum Interest Coverage Ratio (ratio of the Company's EBITDA for the preceding four fiscal quarters to its consolidated total interest expense) from 3.50 to 1.00 to 3.00 to 1.00 for all periods;
- The computation of EBITDA for purposes of the Total Net Debt to EBITDA Ratio and Interest Coverage Ratio calculations was adjusted to exclude the financial results of the fiscal quarter ending June 28, 2020 and annualizing the three other fiscal quarters included in the twelve-month measurement period to arrive at a twelve-month trailing EBITDA ending on the date on which the ratios are calculated, and to limit the amount of adjustments made in the computation of EBITDA;
- Dividends and share repurchases are not permitted during the covenant relief period, except during the fiscal quarters ending January 3, 2021 and April 4, 2021 if the Total Net Debt to EBITDA Ratio is less than 3.00 to 1.00;
- Maintain a minimum available liquidity of at least \$400 million;
- Total investments, capital expenditures, and acquisitions, cannot exceed \$100 million in the aggregate during the covenant relief period, unless certain liquidity thresholds are met;
- Sales of assets cannot exceed \$25 million;
- Incurrence of new indebtedness cannot exceed \$100 million; and
- Inclusion of customary anti-cash hoarding provisions.

During the covenant relief period, the applicable spread added to the variable U.S. LIBOR-based interest rate for the revolving long-term bank credit facility and both term loan facilities will increase by between 50 to 100 basis points per year, varying as a function of the Total Net Debt to EBITDA ratio. Private noteholders will receive an increase of 125 basis points per year (payable quarterly) during the covenant relief period (which is recorded in bank and other financial charges for the three and nine months ended September 27, 2020), unless the Company is in compliance with its original covenants on the last day of such fiscal quarter. In addition, upfront costs of \$3.9 million incurred for the amendments are included in bank and other financial charges for the nine months ended September 27, 2020.

The Company was in compliance with all amended financial covenants at September 27, 2020 and expects to maintain compliance with its covenants over the next twelve months, based on its current expectations and forecasts. If economic conditions caused by the COVID-19 pandemic worsen, this could impact the Company's ability to maintain compliance with its amended financial covenants and require the Company to seek additional amendments to its loan and note agreements.

<i>(in \$ millions)</i>	Sep 27, 2020	Dec 29, 2019
Long-term debt and total bank indebtedness	1,000.0	845.0
Lease obligations	83.3	81.5
Total indebtedness ⁽¹⁾	1,083.3	926.5
Cash and cash equivalents	(232.9)	(64.1)
Net indebtedness ⁽¹⁾	850.4	862.4

(1) See section 16.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

The primary measure used by the Company to monitor its financial leverage is its net debt leverage ratio as defined in section 16.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A. Gildan's net debt leverage ratio as at September 27, 2020 was 5.7 times (1.6 times at December 29, 2019). The Company's net debt leverage ratio is calculated as follows:

<i>(in \$ millions, or otherwise indicated)</i>	Sep 27, 2020	Dec 29, 2019
Adjusted EBITDA for the trailing twelve months	148.1	548.1
Adjustment for:		
Business acquisitions	—	—
Pro-forma adjusted EBITDA for the trailing twelve months	148.1	548.1
Net indebtedness ⁽¹⁾	850.4	862.4
Net debt leverage ratio ⁽¹⁾⁽²⁾	5.7	1.6

(1) See section 16.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

(2) The Company's net debt to EBITDA ratio for purposes of its loan and note agreements was 2.0 at September 27, 2020.

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

The total net debt to EBITDA ratios defined in the various loan and note agreements (and their amendments) vary from the definition of the Company's non-GAAP financial measure "net debt leverage ratio" and "adjusted EBITDA" as presented in this MD&A in several respects. The definitions in the loan and note agreements are based on accounting for all leases in accordance with previous accounting principles whereby the Company's leases for premises were accounted for as operating leases, while the Company's reported net debt leverage ratio reflects lease accounting in accordance with the Company's current accounting policies. In addition, adjustments permitted to EBITDA in the loan and note agreements vary from the adjustments used by the Company in calculating its adjusted EBITDA non-GAAP financial measure. As a result of these differences, and the exclusion of the financial results of the fiscal quarter ending June 28, 2020, our total net debt to EBITDA ratio for purposes of our loan and note agreements was 2.0 at the end of the third quarter of fiscal 2020.

We expect that our cash balances and the unutilized financing capacity under our long-term debt facilities will continue to provide us with sufficient liquidity over the next twelve months in the current economic environment. Refer to section 11.2 of this MD&A for an update on the Company's liquidity risk.

8.3 Off-balance sheet arrangements and contractual obligations

In the normal course of business, we enter into contractual obligations that will require us to disburse cash over future periods. All commitments have been reflected in our consolidated statements of financial position except for purchase obligations, as well as minimum royalty payments, which are included in the table of contractual obligations below. The following table sets forth the maturity of our contractual obligations by period as at September 27, 2020.

<i>(in \$ millions)</i>	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Accounts payable and accrued liabilities	352.1	352.1	352.1	—	—	—
Long-term debt ⁽¹⁾	1,000.0	1,000.0	—	550.0	300.0	150.0
Purchase and other obligations	—	384.9	292.6	68.9	22.9	0.5
Lease obligations	83.3	97.7	19.7	27.8	17.6	32.6
Total contractual obligations	1,435.4	1,834.7	664.4	646.7	340.5	183.1

(1) Excluding interest.

As disclosed in note 23 to our fiscal 2019 audited consolidated financial statements, we have granted financial guarantees, irrevocable standby letters of credit, and surety bonds to third parties to indemnify them in the event the Company and some of its subsidiaries do not perform their contractual obligations. As at September 27, 2020, the maximum potential liability under these guarantees was \$43.8 million, of which \$8.6 million was for surety bonds and \$35.2 million was for financial guarantees and standby letters of credit.

8.4 Derivative instruments

The Company may periodically use derivative financial instruments to manage risks related to fluctuations in foreign exchange rates, commodity prices, interest rates, and changes in the price of our common shares under our share-based compensation plans. Derivative financial instruments are not used for speculative purposes. As at September 27, 2020, the Company's outstanding derivative financial instruments (most of which are designated as effective hedging instruments) consist of foreign exchange and commodity forward, option, and swap contracts, as well as floating-to-fixed interest rate swaps to fix the variable interest rates on a designated portion of borrowings under the Company's term loans and unsecured notes. The Company also has a total return swap outstanding that is intended to reduce the variability of net earnings associated with deferred share units, which are settled in cash. For more information about our derivative financial instruments, please refer to notes 9(e), 10, and 11 to the unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 27, 2020.

8.5 Outstanding share data

Our common shares are listed on the New York Stock Exchange (NYSE) and the Toronto Stock Exchange (TSX) under the symbol GIL. As at October 23, 2020 there were 198,307,308 common shares issued and outstanding along with 2,219,128 stock options and 48,836 dilutive restricted share units (Treasury RSUs) outstanding. Each stock option entitles the holder to purchase one common share at the end of the vesting period at a pre-determined option price. Each Treasury RSU entitles the holder to receive one common share from treasury at the end of the vesting period, without any monetary consideration being paid to the Company. Treasury RSUs are used exclusively for one-time awards to attract candidates or for retention purposes and their vesting conditions, including any performance objectives, are determined by the Board of Directors at the time of grant.

8.6 Declaration of dividend

In April 2020, given the severity of the current economic environment resulting from the COVID-19 pandemic, the Company suspended its quarterly cash dividend. The Company's previously declared dividend of \$0.154 per share for an aggregate payment of \$30.6 million was paid on April 6, 2020.

As part of the Company's capital allocation framework as described in section 8.1 of this MD&A, the Board of Directors considers several factors when deciding to declare quarterly cash dividends, including the Company's present and future earnings, cash flows for working capital requirements, capital expenditures, debt repayment obligations, capital requirements, the macro-economic environment, and present and/or future regulatory and legal restrictions. In addition, as described in section 8.2 of this MD&A, the Company amended its loan and note agreements in June 2020 in order to modify its covenants and to provide increased financial flexibility. During the covenant relief period ending April 4, 2021, dividends are not permitted except during the fiscal quarters ending January 3, 2021 and April 4, 2021, if the Total Net Debt to EBITDA Ratio is less than 3.00 to 1.00. There can be no assurance as to the declaration of future quarterly cash dividends.

8.7 Normal course issuer bid (NCIB)

On February 20, 2019, Gildan received approval from the TSX to renew its NCIB commencing on February 27, 2019 to purchase for cancellation up to 10,337,017 common shares, representing approximately 5% of the Gildan's issued and outstanding common shares. On February 19, 2020, Gildan received approval from the TSX to renew its NCIB commencing on February 27, 2020 to purchase for cancellation up to 9,939,154 common shares, representing approximately 5% of the Gildan's issued and outstanding common shares.

During the first quarter of fiscal 2020, the Company repurchased for cancellation a total of 843,038 common shares under its NCIB programs for a total cost of \$23.2 million. Of the total cost of \$23.2 million, \$0.7 million was charged to share capital and the balance was charged to retained earnings. In April 2020, given the severity of the current economic environment resulting from the COVID-19 pandemic, the Company suspended share repurchases until further notice. In addition, as described in section 8.2 of this MD&A, the Company amended its loan and note agreements in June 2020 in order to modify its covenants and to provide increased financial flexibility. During the covenant relief period ending April 4, 2021, share repurchases are not permitted except during the fiscal quarters ending January 3, 2021 and April 4, 2021, if the Total Net Debt to EBITDA Ratio is less than 3.00 to 1.00. There can be no assurance as to the resumption of future NCIB programs and share repurchases.

9.0 LEGAL PROCEEDINGS

9.1 Claims and litigation

The Company is a party to claims and litigation arising in the normal course of operations. The Company does not expect the resolution of these matters to have a material adverse effect on the financial position or results of operations of the Company.

10.0 OUTLOOK

Due to the unprecedented nature and uncertainty related to the impacts of the COVID-19 pandemic, the Company withdrew its guidance for 2020 as announced in its press release dated March 23, 2020, which is available on the SEDAR website at www.sedar.com, on the EDGAR website at www.sec.gov, and on our website at www.gildancorp.com.

11.0 FINANCIAL RISK MANAGEMENT

The Company is exposed to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk, interest rate risk, commodity price risk, as well as risks arising from changes in the price of our common shares under our share-based compensation plans. Please refer to the "Financial risk management" section of the 2019 Annual MD&A for additional disclosure of the Company's exposure to risks arising from financial instruments. The disclosures in the "Financial risk management" section of the 2019 Annual MD&A, in conjunction with the information in note 14 to the 2019 audited annual consolidated financial statements, are designed to meet the requirements of IFRS 7, Financial Instruments: Disclosures, and are therefore incorporated into, and are an integral part of, the 2019 audited annual consolidated financial statements. For more information about our derivative financial instruments, please refer to note 10 to the unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 27, 2020.

Changes in our credit and liquidity risks are noted below under the headings "Credit Risk" and "Liquidity Risk", and serve as an update to the "Financial risk management" section of the 2019 Annual MD&A, in order to describe the impacts of the COVID-19 pandemic.

11.1 Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's trade accounts receivable. The Company may also have credit risk relating to cash and cash equivalents and derivative financial instruments, which it manages by dealing only with highly rated North American and European financial institutions. The Company's credit risk may also be exacerbated during periods of weak general economic and financial conditions, including as is being observed during the current COVID-19 pandemic as explained in more detail below. Our trade accounts receivable and credit exposure fluctuate throughout the year based on the seasonality of our sales and other factors. The Company's average trade accounts receivable and credit exposure during an interim reporting period may be significantly higher than the balance at the end of that reporting period. In addition, due to the historical seasonality of the Company's net sales, the Company's trade accounts receivable balance as at the end of a calendar year will typically be lower than at the end of an interim reporting period.

Under the terms of a receivables purchase agreement, the Company may continuously sell trade accounts receivables of certain designated customers to a third-party financial institution in exchange for a cash payment equal to the face value of the sold trade accounts receivables, less an applicable discount. The Company retains servicing responsibilities, including collection, for these trade accounts receivables but does not retain any credit risk with respect to any trade accounts receivables that have been sold. All trade accounts receivables sold under the receivables purchase agreement are removed from the consolidated statements of financial position, as the sale of the trade accounts receivables qualify for de-recognition. As at September 27, 2020, trade accounts receivables being serviced under a receivables purchase agreement amounted to \$98.4 million (December 29, 2019 - \$141.0 million). The receivables purchase agreement, which allows for the sale of a maximum of \$175 million of accounts receivables at any one time, expires on June 21, 2021, subject to annual extensions.

The Company's credit risk for trade accounts receivables is concentrated as the majority of its sales are to a relatively small group of wholesale distributors and mass-market and other retailers. As at September 27, 2020, the Company's ten largest trade debtors accounted for 78% of trade accounts receivable; the largest of which accounted for 18%. The Company's main trade debtors are located in the U.S. The remaining trade accounts receivable balances are dispersed among a larger number of debtors across many geographic areas including the U.S., Canada, Europe, Asia-Pacific, and Latin America.

Most of the Company's customers have been transacting with the Company or its subsidiaries for several years. Certain wholesale distributors are highly leveraged with significant reliance on trade credit terms provided by a few major vendors, including the Company, and third-party debt financing, including bank debt secured with trade accounts receivable and inventory pledged as collateral. The financial leverage of these customers may limit or prevent their ability to refinance existing indebtedness or to obtain additional financing and could affect their ability to comply with restrictive debt covenants and meet other obligations. The profile and credit quality of the Company's mass-market and other retailer customers vary significantly.

The novel COVID-19 coronavirus was recognized as a pandemic by the World Health Organization in March 2020. To help limit the spread of the virus, various governments and public health organizations around the world have imposed emergency containment measures such as restrictions on travel and business operations and have advised or required physical and social distancing measures. These restrictions and other factors have caused a severe global economic downturn and recessions. Global debt and equity capital markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Starting in March of fiscal 2020, the Company observed a major reduction in sales for both its imprintable and retail channels due to those restrictions, including the limitation of social gatherings, cancellation of various sporting, entertainment, promotional, and cultural events, school closures, significant restrictions on transborder and international travel, as well as various manufacturing and distribution facility closures and retail store closures throughout North America and internationally. The demand deterioration that began in March 2020 has continued through the second and third quarters of fiscal 2020, as explained in section 3.0 of this MD&A entitled "Update on COVID-19-related impacts and Back to Basics initiatives". Accordingly, many of our customers have seen a major reduction in their sales and operations during this period and are taking specific measures to minimize operating losses and preserve liquidity, including requests to extend payment terms on the Company's previously invoiced shipments at the onset of the COVID-19 pandemic. During the latter half of the second quarter of fiscal 2020, certain restrictions imposed by governments and public health organizations were lifted (some only partially), resulting in the reopening of retail store fronts, many with reduced operating hours, and gradual reopening of other sectors of economic activity. While many customers made payments on past due invoices during the third quarter, there still exists a significant amount of uncertainty regarding the impacts of the COVID-19 pandemic on the global economy, as explained in section 3.0 of this MD&A entitled "Update on COVID-19-related impacts and Back to Basics initiatives", and consequently on the Company's exposure to credit loss. The Company continues to believe that its risk of credit loss for many customers has increased during 2020 due to the COVID-19 pandemic, and this increased risk is reflected in the Company's allowance for expected credit losses as discussed below. Overall, adverse changes in a customer's financial condition, including those resulting from the COVID-19 pandemic, could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer's future purchases, or result in uncollectible trade accounts receivable from that customer. Future credit losses relating to any one of our top ten customers could be material and could result in a material charge to our earnings.

The Company's extension of credit to customers involves considerable judgment and is based on an evaluation of each customer's financial condition and payment history. The Company has established various internal controls designed to mitigate credit risk, including a dedicated credit function which recommends customer credit limits and payment terms that are reviewed and approved on a quarterly basis by senior management at the Company's primary sales offices in Christ Church, Barbados. Where available, the Company's credit departments periodically review external ratings and customer financial statements and, in some cases, obtain bank and other references. New customers are subject to a specific validation and pre-approval process. From time to time, where circumstances warrant, the Company will temporarily transact with customers on a prepayment basis. While the Company's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk in its entirety and there can be no assurance that these controls will continue to be effective or that the Company's historical credit loss experience will continue.

The Company's exposure to credit risk for trade accounts receivable by geographic area was as follows as at:

<i>(in \$ millions)</i>	Sep 27, 2020	Dec 29, 2019
Trade accounts receivable by geographic area:		
United States	178.3	263.8
Canada	11.2	20.9
Europe and other	20.7	36.2
Total trade accounts receivable	210.2	320.9

The aging of trade accounts receivable balances was as follows as at:

<i>(in \$ millions)</i>	Sep 27, 2020	Dec 29, 2019
Not past due	186.2	301.2
Past due 0-30 days	14.6	7.6
Past due 31-60 days	6.3	5.3
Past due 61-120 days	6.1	3.3
Past due over 121 days	15.8	10.7
Trade accounts receivable	229.0	328.1
Less allowance for expected credit losses	(18.8)	(7.2)
Total trade accounts receivable	210.2	320.9

The increase in the past due amounts since the end of fiscal 2019 is primarily due to the adverse economic impacts of COVID-19 on our customers' sales volumes and collections, resulting in some of our customers deferring payment in order to manage liquidity in this environment. The Company has been working closely with these customers to agree on payment schedules for past due invoices and new shipping and payment terms for new orders in this environment, which has resulted in a significant decrease in past due amounts as compared to the first and second quarters of fiscal 2020.

In determining its allowance for expected credit losses, the Company applies the simplified approach per IFRS 9, Financial Instruments, and calculates expected credit losses based on lifetime expected credit losses. The Company has established a provision matrix, which segregates its customers by their economic characteristics and allocates expected credit loss rates based on days past due of its trade receivables. Expected credit loss rates are based on the Company's historical credit loss experience, adjusted for forward-looking factors of the economic environment. In light of the COVID-19 pandemic, the Company's provision matrix was adjusted, as its historical experience was not reflective of the current market conditions, including the uncertainties present in the current economic environment, such as the financial viability of its debtors and the various levels of government support that have been announced. Many of our customers have seen a major reduction in their sales and operations during this period and are taking specific measures to minimize operating losses and preserve liquidity, including requests to extend payment terms on the Company's previously invoiced shipments at the onset of the COVID-19 pandemic. As a result, previously determined loss rates for the individual days past due categories included in the provision matrix are not reflective of expected losses at this time. Therefore, the Company has applied loss rates to individually significant receivables, or sub-categories of individually significant receivables, based on its evaluation of possible outcomes with respect to the collectability of these amounts at the measurement date. The Company has increased its expected credit loss rates by reference to projected macroeconomic loss factors (such as projected GDP decreases or projected market default rates) to reflect the additional risk of loss that the current economic conditions would indicate. For customers in good standing who have not requested extended payment terms on the Company's previously invoiced shipments, the expected credit loss rates have not been modified. For customers who had initially requested extended payment terms on the Company's previously invoiced shipments and who continue to be impacted by the current economic environment, an expected loss rate ranging between 2% and 10% has been determined using macroeconomic factors, and depending on the customer's historical payment history, the nature of its operations, and its geographic location. For customers previously in default, a significant loss rate has been determined. For the nine months ended September 27, 2020, impairment of trade accounts receivable had a \$15.0 million impact on net earnings, reflecting an impairment in trade accounts receivable of \$20.8 million in the first quarter of fiscal 2020 due to the heightened credit risk caused by the COVID-19 pandemic, and an aggregate partial recovery in the impairment of trade accounts

receivable of \$5.8 million in the second and third quarters of fiscal 2020 due to a decrease in trade accounts receivable balances. A 10% increase in the expected loss rate for all customers with a balance due as at September 27, 2020 would result in an \$21 million increase in the allowance for expected credit losses. In the event that new information becomes available to us that would change the Company's assessment of expected loss, the amounts recorded in allowance for expected credit losses will be updated in the period in which the additional information is received. There is no assurance that our current estimates of recoverability will not change significantly as the COVID-19 pandemic and its related business and societal impacts evolve, which may either require a charge to earnings or a reversal of such allowances in subsequent periods based on revised estimates or actual collection experience.

11.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. We rely on cash resources, debt, and cash flows generated from operations to satisfy our financing requirements. We may also require access to capital markets to support our operations as well as to achieve our strategic plans. Any impediments to our ability to continue to meet the covenants and conditions contained in our long-term debt agreements as well as our ability to access capital markets, the failure of a financial institution participating in our revolving long-term bank credit facilities, or an adverse perception in capital markets of our financial condition or prospects could have a material impact on our future financing capability. In addition, our access to capital markets and to financing at reasonable terms and interest rates could be influenced by the economic and credit market environment, including a potential prolonged economic downturn and recessions resulting from the unprecedented nature of the COVID-19 pandemic and the continued destabilization of debt and equity markets.

We manage liquidity risk through the management of our capital structure and financial leverage, as outlined in note 24 to the 2019 audited annual consolidated financial statements, and section 8.1 entitled "Capital Allocation Framework" in this MD&A. In addition, we manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our sales and cash receipts and the expected timing of capital expenditures. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as transactions such as the declaration of dividends, the initiation of share repurchase programs, mergers, acquisitions, and other major investments or divestitures.

As a result of the major reduction in sales volumes that began in the second half of March 2020, and the continuing deterioration of demand that we have observed throughout the second and third quarters of fiscal 2020, as described in the section 5.4.1 of this MD&A, the Company initiated various pre-emptive measures that seek to minimize operating losses, preserve cash and enhance liquidity and maintain financial flexibility. These measures have included the following:

- Concurrent with global government mandated private sector shutdowns, we began to close our manufacturing facilities starting on March 17, 2020, to ensure the safety of our employees and align our operations and inventory levels with the demand environment. Throughout the second quarter, we continued to manage and align our operations and inventory levels with the demand environment and kept the majority of our production facilities idle or operating at low levels, until resuming production at various operating levels across the majority of our facilities later in the quarter to align with improving demand and gradual lifting of shutdown restrictions. Entering the third quarter of fiscal 2020, our distribution centres were operational, initially at reduced capacity levels and adjusted in line with demand through the quarter;
- Salaried workforce pay reductions or four-day workweeks were in effect from the end of March 2020 to the end of the second quarter of fiscal 2020;
- Headcount reductions to align with current and future demand requirements;
- Deferral of non-critical capital spend, discretionary expenses, and raw material receipts;
- Tight focus on working capital management;
- Additional long-term debt of \$400 million secured on April 6, 2020;
- Suspension of the Company's quarterly dividend and share repurchases under the Company's NCIB program; and
- Amendment of the Company's loan and note agreements in order to modify the financial covenants, as described in section 8.2 of this MD&A.

As at September 27, 2020, our available liquidity was \$1.3 billion. To stress test the adequacy of our liquidity over the next twelve months, the Company has assessed financial models which take into account various financial scenarios depending on the duration of the government-imposed containment measures and related impact on the economy in the countries in which the Company and its customers operate, ranging from a phased reopening of the economy to a more conservative scenario with a slower reopening of economies over the next twelve months as a result of a

second wave of COVID-19 infections and the re-implementation of government containment measures. Based on these financial models, which incorporate the above measures, and the Company's current cash position and available lines of credit, the Company expects to have sufficient liquidity to support its operations over the next twelve months. The Company also believes that it will continue to comply with all of its amended financial covenants under the terms of its revolving facility, both term loan facilities, and notes during this period. However, if economic conditions caused by the COVID-19 pandemic worsen, including as a result of renewed government mandated shutdowns in response to a resurgence of COVID-19 infections, this could impact the Company's ability to maintain compliance with its amended financial covenants and require the Company to seek additional amendments to its loan and note agreements. There can be no assurance that the Company will be able to secure such additional amendments or waivers from its lenders in the future or to cure any potential defaults should such a situation arise. Any such additional amendments or waivers may impose further restrictions on the Company's ability to declare dividends and to implement share repurchases and business acquisitions, as well as other restrictive covenants. Accordingly, and for other potential reasons, including the Company's overall approach to managing its liquidity, there is no assurance that the Company will reinstate its quarterly dividend or resume share repurchases under its NCIB during the next twelve months or be able to finance any business acquisition opportunities that may arise during this period. The Company will continue to monitor the situation as it unfolds and will seek to adjust its approach accordingly. See section 8.0 entitled "Liquidity and Capital Resources" in this MD&A.

12.0 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Our significant accounting policies are described in note 3 to our fiscal 2019 audited consolidated financial statements. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

12.1 Critical judgments in applying accounting policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Determination of CGUs
- Income taxes

12.2 Key sources of estimation uncertainty

Key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the remainder of the fiscal year are as follows:

- Allowance for expected credit losses
- Inventory valuation
- Recoverability and impairment of non-financial assets
- Income taxes

For a more detailed discussion on these areas requiring the use of management estimates and judgments, please refer to note 3 to our fiscal 2019 audited consolidated financial statements and notes 4, 6, and 9(e) to the unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 27, 2020.

13.0 ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS NOT YET APPLIED

13.1 Accounting policies

The Company's unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 27, 2020 were prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The Company applied the same accounting policies in the preparation of the unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 27, 2020 as those disclosed in note 3 of its most recent audited annual consolidated financial statements, except for the adoption of new standards as described below.

Amendments to IFRS 3, Business combinations

In October 2018, the IASB issued amendments to IFRS 3, Business combinations. The amendments clarify the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and apply prospectively. Given the prospective application of the amendment, its adoption did not have an impact on the Company's consolidated financial statements.

13.2 New accounting standards and interpretations not yet applied

Amendments to IAS 1, Presentation of Financial Statements

On January 23, 2020, the IASB issued narrow-scope amendments to IAS 1, Presentation of Financial Statements, to clarify how to classify debt and other liabilities as current or non-current. The amendments (which affect only the presentation of liabilities in the statement of financial position) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Earlier application is permitted.

Interest Rate Benchmark Reform

On September 26, 2019, the IASB published "Interest Rate Benchmark Reform - Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)" as a first reaction to the potential effects the IBOR reform could have on financial reporting. Interbank offered rates ("IBORs") are interest reference rates, such as LIBOR, EURIBOR and TIBOR, that represent the cost of obtaining unsecured funding, in a particular combination of currency and maturity, and in a particular interbank term lending market. The amendments from Phase 1 modified specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The Company has floating rate debt with a variable rate of interest linked to U.S. LIBOR as a benchmark for establishing the rate in the amount of \$800 million outstanding as at September 27, 2020, a portion of which is hedged with \$275 million of floating-to-fixed interest rate swaps that are designated as cash flow hedges. The Company early adopted the Phase 1 amendments effective September 30, 2019 (first day of the fourth quarter of fiscal 2019).

On August 27 2020, the IASB published "Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) to address issues relating to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements when an existing interest rate benchmark is actually replaced. The amendment introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting under IFRS 16. Under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument, and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements. The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and are to be applied retrospectively. Earlier application is permitted. There is

currently no anticipated impact of the amendment on the Company's consolidated financial statements upon its initial adoption date (January 4, 2021) as the Company has not made any modifications as a direct consequence of the IBOR reform to date. It is too early to determine if any upcoming potential modifications will meet the requirements for the application of the practical expedient.

14.0 INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on June 29, 2020 and ended on September 27, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

15.0 RISKS AND UNCERTAINTIES

In our 2019 Annual MD&A under the sections "Financial risk management" and "Risks and uncertainties", we describe the principal risks that could have a material and adverse effect on our financial condition, results of operations or business, cash flows, or the trading price of our common shares, as well as cause actual results to differ materially from our expectations expressed in or implied by our forward-looking statements. The risks listed below are not the only risks that could affect the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our financial condition, results of operations, cash flows, or business. The risks described in our 2019 Annual MD&A include:

- Our ability to implement our growth strategies and plans
- Our ability to compete effectively
- Our ability to integrate acquisitions
- We may be negatively impacted by changes in general economic and financial conditions
- We rely on a small number of significant customers
- Our customers do not commit to purchase minimum quantities
- Our ability to anticipate, identify, or react to changes in consumer preferences and trends
- Our ability to manage production and inventory levels effectively in relation to changes in customer demand
- We may be negatively impacted by fluctuations and volatility in the price of raw materials used to manufacture our products
- We rely on key suppliers
- We may be negatively impacted by climate, political, social, and economic risks, natural disasters and pandemics in the countries in which we operate or from which we source production
- Compliance with laws and regulations in the various countries in which we operate and the potential negative effects of litigation and/or regulatory actions
- We rely on certain international trade (including multilateral and bilateral) agreements and preference programs and are subject to evolving international trade regulations
- Factors or circumstances that could increase our effective income tax rate
- Compliance with environmental and health and safety regulations
- Global climate change could have an adverse impact on our business
- Compliance with product safety regulations
- We may be negatively impacted by changes in our relationship with our employees or changes to domestic and foreign employment regulations
- We may experience negative publicity as a result of actual, alleged, or perceived violations of labour laws or international labour standards, unethical labour, and other business practices
- We may be negatively impacted by changes in third-party licensing arrangements and licensed brands
- Our ability to protect our intellectual property rights
- We rely significantly on our information systems for our business operations
- We may be negatively impacted by data security and privacy breaches
- We depend on key management and our ability to attract and/or retain key personnel

Update to risks and uncertainties - We may be negatively impacted by changes in general economic and financial conditions

The novel COVID-19 coronavirus was recognized as a pandemic by the World Health Organization in March 2020. To help limit the spread of the virus, various governments and public health organizations around the world have imposed emergency containment measures such as restrictions on travel and business operations and have advised or required physical and social distancing measures. These restrictions and other factors have caused a severe global economic downturn and recessions. Global debt and equity capital markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Starting in the second half of March, the Company has observed a major reduction in sales for both its imprintable and retail channels due to those restrictions, including the limitation of social gatherings, cancellation of various sporting, entertainment, promotional, and cultural events, school closures, significant restrictions on transborder and international travel, as well as various manufacturing and distribution facility closures and retail store closures throughout North America and internationally. The demand deterioration that began in March has continued through the second and third quarters of fiscal 2020, as explained in section 3.0 of this MD&A entitled "Update on COVID-19-related impacts and Back to Basics initiatives".

Given the impact of these factors the Company began to close its manufacturing facilities starting on March 17, 2020, to ensure the safety of its employees and align its operations and inventory levels with the demand environment. The Company continued to manage and align its operations and inventory levels with the demand environment and kept the majority of its production facilities idle or operating at low levels of capacity during the second quarter. In line with improving demand and the lifting of shut down restrictions, the Company started to resume production at various operating levels across the majority of its facilities later in the second quarter. The Company has also taken other actions in response to the current environment, as indicated in section 3.0 of this MD&A. Although the gradual lifting of certain government restrictions is being observed, the timing of the removal of all government restrictions remains uncertain, as is the timing of resumption of sporting, entertainment, promotional and cultural events, school classes, and return to normal levels of travel. In fact, in response to the recent resurgence of COVID-19 infections, governments in various jurisdictions globally have renewed certain containment measures and shutdowns. Moreover, once the various containment measures are lifted, the timing of any economic recovery is uncertain and consumer behavior and preferences may vary significantly from the pre-pandemic environment, including willingness to engage in previous levels of discretionary spending, visit stores, malls and other public places where our customers operate, attend large social gatherings and resume travel, which may adversely impact the end use demand for our products. Accordingly, we cannot predict the timing nor the extent of the resumption of our sales to historical levels.

The Company has experienced a significant operating loss during the first nine months of fiscal 2020, due to the deterioration of demand in our markets in this environment, the impact of production inefficiencies resulting from operating at production levels well below capacity, and the various charges impacting the Company as described in section 5 of this MD&A. If demand does not significantly improve in our key markets over the balance of 2020, or if any of the Company's major customers do not have sufficient liquidity to allow them to continue to operate through a prolonged economic downturn, the Company may incur additional operating losses in subsequent fiscal quarters, which may adversely affect the Company's financial position, including cash operating losses, and potential additional asset write-downs and impairments. Further, weak demand for our products and/or a continued weakness in commodity prices that began in March 2020 may lead to lower selling prices for our products and could negatively affect our margins and cash flow from operations. In addition, we may incur additional costs and inefficiencies in resuming our normal manufacturing operations and the return to previous levels of production may take longer than anticipated, which could adversely affect our future sales and profitability. The COVID-19 pandemic and the current economic environment also exacerbate many of the other risks that are disclosed in the Company's 2019 Annual MD&A and listed above, as well as liquidity risk and credit risk that are described in section 11.0 of this MD&A entitled "Financial Risk Management".

The duration and full impact of the COVID-19 pandemic remains unknown at this time, as is the efficacy of existing and new government containment and stabilization measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company's financial condition, results of operations, cash flows, or business in future periods are also subject to significant uncertainty.

16.0 DEFINITION AND RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

We use non-GAAP measures to assess our operating performance and financial condition. The terms and definitions of the non-GAAP measures used in this MD&A and a reconciliation of each non-GAAP measure to the most directly comparable GAAP measure are provided below. The non-GAAP measures are presented on a consistent basis for all periods presented in this MD&A. These non-GAAP measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

Adjusted net earnings and adjusted diluted EPS

Adjusted net earnings are calculated as net earnings before restructuring and acquisition-related costs, income taxes relating to restructuring and acquisition-related actions, income taxes related to the re-assessment of the probability of realization of previously recognized or de-recognized deferred income tax assets, and income taxes relating to the revaluation of deferred income tax assets and liabilities as a result of statutory income tax rate changes in the countries in which we operate. For fiscal 2020, adjusted net earnings also excludes impairment of goodwill and intangible assets, as well as the impact of adjustments related to the Company's decision in the fourth quarter of fiscal 2019 to implement a strategic initiative to significantly reduce its imprintables product line stock-keeping unit (SKU) count, by exiting all ship to-the-piece activities and discontinuing overlapping and less productive styles and SKUs between brands. This initiative is aimed at simplifying the Company's product portfolio and reducing complexity in its manufacturing and warehouse distribution activities. The impact of this strategic initiative includes inventory write-downs and a sales return allowance for anticipated product returns related to discontinued SKUs, including write-downs and sales return allowances that were recognized in the Company's financial statements in the fourth quarter of fiscal 2019 and in the first and second quarters of fiscal 2020. Adjusted diluted EPS is calculated as adjusted net earnings divided by the diluted weighted average number of common shares outstanding. The Company uses adjusted net earnings and adjusted diluted EPS to measure its performance from one period to the next, without the variation caused by the impacts of the items described above. The Company excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Excluding these items does not imply they are necessarily non-recurring.

	Three months ended		Nine months ended	
	Sep 27, 2020	Sep 29, 2019	Sep 27, 2020	Sep 29, 2019
<i>(in \$ millions, except per share amounts)</i>				
Net earnings (loss)	56.4	104.9	(292.6)	227.3
Adjustments for:				
Restructuring and acquisition-related costs	4.7	4.4	43.9	31.3
Impairment of goodwill and intangible assets	—	—	94.0	—
Impact of strategic product line initiative ⁽¹⁾	—	—	34.0	—
Income tax recovery relating to the above noted adjustments	(1.9)	(0.9)	(5.5)	(2.4)
Adjusted net earnings (loss)	59.2	108.4	(126.2)	256.2
Basic EPS	0.28	0.51	(1.48)	1.11
Diluted EPS	0.28	0.51	(1.48)	1.11
Adjusted diluted EPS	0.30	0.53	(0.64)	1.25

(1) For the nine months ended September 27, 2020, includes \$29.2 million of inventory write-downs included in cost of sales and the \$4.8 million gross profit impact of a sales return allowance for anticipated product returns related to discontinued SKUs (which reduced net sales by \$11.2 million and cost of sales by \$6.4 million).

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

Adjusted gross profit and adjusted gross margin

Adjusted gross profit is calculated as gross profit excluding the impact of adjustments related the Company's decision in the fourth quarter of fiscal 2019 to implement a strategic initiative to significantly reduce its imprintables product line stock-keeping unit (SKU) count, by exiting all ship to-the-piece activities and discontinuing overlapping and less productive styles and SKUs between brands. This initiative is aimed at simplifying the Company's product portfolio and reducing complexity in its manufacturing and warehouse distribution activities. The impact of this strategic initiative includes inventory write-downs and a sales return allowance for anticipated product returns related to discontinued SKUs, including write-downs and sales return allowances recognized in the fourth quarter of fiscal 2019 and in the first and second quarters of fiscal 2020. Adjusted gross margin is calculated as adjusted gross profit divided by net sales excluding the sales return allowance for anticipated product returns related to discontinued SKUs. The Company uses adjusted gross profit and adjusted gross margin to measure its performance from one period to the next, without the variation caused by the impacts of the items described above. The Company excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Excluding these items does not imply they are necessarily non-recurring.

<i>(in \$ millions)</i>	Three months ended		Nine months ended	
	Sep 27, 2020	Sep 29, 2019	Sep 27, 2020	Sep 29, 2019
Gross profit	135.5	202.7	93.6	586.2
Adjustment for:				
Impact of strategic product line initiative ⁽¹⁾	—	—	34.0	—
Adjusted gross profit	135.5	202.7	127.6	586.2
Gross margin	22.5 %	27.4 %	7.2 %	27.1 %
Adjusted gross margin ⁽²⁾	22.5 %	27.4 %	9.8 %	27.1 %

(1) For the nine months ended September 27, 2020, includes \$29.2 million of inventory write-downs included in cost of sales and the \$4.8 million gross profit impact of a sales return allowance for anticipated product returns related to discontinued SKUs (which reduced net sales by \$11.2 million and cost of sales by \$6.4 million).

(2) Calculated as adjusted gross profit divided by net sales excluding the sales return allowance for anticipated product returns related to discontinued SKUs.

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

Adjusted operating income and adjusted operating margin

Adjusted operating income is calculated as operating income before restructuring and acquisition-related costs. For fiscal 2020, adjusted operating income also excludes impairment of goodwill and intangible assets, as well as the impact of adjustments related to the Company's decision in the fourth quarter of fiscal 2019 to implement a strategic initiative to significantly reduce its imprintables product line stock-keeping unit (SKU) count, by exiting all ship to-the-piece activities and discontinuing overlapping and less productive styles and SKUs between brands. This initiative is aimed at simplifying the Company's product portfolio and reducing complexity in its manufacturing and warehouse distribution activities. The impact of this strategic initiative includes inventory write-downs and a sales return allowance for anticipated product returns related to discontinued SKUs, including write-downs and sales return allowances recognized in the fourth quarter of fiscal 2019 and in the first and second quarters of fiscal 2020. Adjusted operating margin is calculated as adjusted operating income divided by net sales excluding the sales return allowance for anticipated product returns related to discontinued SKUs. Management uses adjusted operating income and adjusted operating margin to measure its performance from one period to the next, without the variation caused by the impacts of the items described above. The Company excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Excluding these items does not imply they are necessarily non-recurring.

	Three months ended		Nine months ended	
	Sep 27, 2020	Sep 29, 2019	Sep 27, 2020	Sep 29, 2019
<i>(in \$ millions, or otherwise indicated)</i>				
Operating income (loss)	68.8	117.9	(259.7)	264.7
Adjustment for:				
Restructuring and acquisition-related costs	4.7	4.4	43.9	31.3
Impairment of goodwill and intangible assets	—	—	94.0	—
Impact of strategic product initiative ⁽¹⁾	—	—	34.0	—
Adjusted operating income (loss)	73.5	122.3	(87.8)	296.0
Operating margin	11.4 %	15.9 %	(20.1)%	12.2%
Adjusted operating margin ⁽²⁾	12.2 %	16.5 %	(6.7)%	13.7%

(1) For the nine months ended September 27, 2020, includes \$29.2 million of inventory write-downs included in cost of sales and the \$4.8 million gross profit impact of a sales return allowance for anticipated product returns related to discontinued SKUs (which reduced net sales by \$11.2 million and cost of sales by \$6.4 million).

(2) Calculated as adjusted operating income divided by net sales excluding the sales return allowance for anticipated product returns related to discontinued SKUs.

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

Adjusted EBITDA

Adjusted EBITDA is calculated as earnings before financial expenses, income taxes, and depreciation and amortization, and excludes the impact of restructuring and acquisition-related costs. For fiscal 2020, adjusted EBITDA also excludes impairment of goodwill and intangible assets, as well as the impact of adjustments related to the Company's decision in the fourth quarter of fiscal 2019 to implement a strategic initiative to significantly reduce its imprints product line stock-keeping unit (SKU) count, by exiting all ship to-the-piece activities and discontinuing overlapping and less productive styles and SKUs between brands. This initiative is aimed at simplifying the Company's product portfolio and reducing complexity in its manufacturing and warehouse distribution activities. The impact of this strategic initiative includes inventory write-downs and a sales return allowance for anticipated product returns related to discontinued SKUs, including write-downs and sales return allowances recognized in the fourth quarter of fiscal 2019 and in the first and second quarters of fiscal 2020. The Company uses adjusted EBITDA, among other measures, to assess the operating performance of its business. The Company also believes this measure is commonly used by investors and analysts to measure a company's ability to service debt and to meet other payment obligations, or as a common valuation measurement. The Company excludes depreciation and amortization expenses, which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors. Excluding these items does not imply they are necessarily non-recurring.

	Three months ended		Nine months ended	
	Sep 27, 2020	Sep 29, 2019	Sep 27, 2020	Sep 29, 2019
<i>(in \$ millions)</i>				
Net earnings (loss)	56.4	104.9	(292.6)	227.3
Restructuring and acquisition-related costs	4.7	4.4	43.9	31.3
Impairment of goodwill and intangible assets	—	—	94.0	—
Impact of strategic product line initiative ⁽¹⁾	—	—	34.0	—
Depreciation and amortization	33.4	39.7	107.6	123.8
Financial expenses, net	11.4	9.9	35.4	29.6
Income tax expense (recovery)	1.0	3.1	(2.4)	7.8
Adjusted EBITDA	106.9	162.0	19.9	419.8

(1) For the nine months ended September 27, 2020, includes \$29.2 million of inventory write-downs included in cost of sales and the \$4.8 million gross profit impact of a sales return allowance for anticipated product returns related to discontinued SKUs (which reduced net sales by \$11.2 million and cost of sales by \$6.4 million).

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

Free cash flow

Free cash flow is defined as cash from operating activities, less cash flow used in investing activities excluding business acquisitions. The Company considers free cash flow to be an important indicator of the financial strength and liquidity of its business, and it is a key metric which indicates how much cash is available after capital expenditures to repay debt, to pursue business acquisitions, and/or to redistribute to its shareholders. The Company believes this measure is commonly used by investors and analysts when valuing a business and its underlying assets.

<i>(in \$ millions)</i>	Three months ended		Nine months ended	
	Sep 27, 2020	Sep 29, 2019	Sep 27, 2020	Sep 29, 2019
Cash flows from operating activities	151.0	124.3	123.4	98.6
Cash flows used in investing activities	(13.8)	(37.0)	(44.1)	(114.4)
Adjustment for:				
Business acquisitions	—	—	—	1.3
Free cash flow	137.2	87.3	79.3	(14.5)

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

Total indebtedness and net indebtedness

Total indebtedness is defined as the total bank indebtedness, long-term debt (including any current portion), and lease obligations (including any current portion), and net indebtedness is calculated as total indebtedness net of cash and cash equivalents. The Company considers total indebtedness and net indebtedness to be important indicators of the financial leverage of the Company.

<i>(in \$ millions)</i>	Sep 27, 2020	Dec 29, 2019
Long-term debt and total bank indebtedness	1,000.0	845.0
Lease obligations	83.3	81.5
Total indebtedness	1,083.3	926.5
Cash and cash equivalents	(232.9)	(64.1)
Net indebtedness	850.4	862.4

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

Net debt leverage ratio

The net debt leverage ratio is defined as the ratio of net indebtedness to pro-forma adjusted EBITDA for the trailing twelve months. The pro-forma adjusted EBITDA for the trailing twelve months reflects business acquisitions made during the period as if they had occurred at the beginning of the trailing twelve month period. The Company has set a fiscal year-end target net debt leverage ratio of one to two times pro-forma adjusted EBITDA for the trailing twelve months. Due to the current economic environment, the Company does not expect to be within its target range at the end of fiscal 2020. The Company uses, and believes that certain investors and analysts use, the net debt leverage ratio to measure the financial leverage of the Company.

<i>(in \$ millions, or otherwise indicated)</i>	Sep 27, 2020	Dec 29, 2019
Adjusted EBITDA for the trailing twelve months	148.1	548.1
Adjustment for:		
Business acquisitions	—	—
Pro-forma adjusted EBITDA for the trailing twelve months	148.1	548.1
Net indebtedness	850.4	862.4
Net debt leverage ratio ⁽¹⁾	5.7	1.6

(1) The Company's net debt to EBITDA ratio for purposes of its loan and note agreements was 2.0 at September 27, 2020. Refer to section 8.2 of this MD&A.

Certain minor rounding variances exist between the unaudited condensed interim consolidated financial statements and this summary.

GILDAN ACTIVEWEAR INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 (in thousands of U.S. dollars) - unaudited

	September 27, 2020	December 29, 2019
Current assets:		
Cash and cash equivalents	\$ 232,916	\$ 64,126
Trade accounts receivable (note 4)	210,193	320,931
Income taxes receivable	4,292	—
Inventories (note 5)	938,572	1,052,052
Prepaid expenses, deposits and other current assets	50,967	77,064
Total current assets	1,436,940	1,514,173
Non-current assets:		
Property, plant and equipment	934,144	994,980
Right-of-use assets	60,448	73,539
Intangible assets (note 6)	296,235	383,864
Goodwill (note 6)	206,636	227,865
Deferred income taxes	13,862	9,917
Other non-current assets	7,872	6,732
Total non-current assets	1,519,197	1,696,897
Total assets	\$ 2,956,137	\$ 3,211,070
Current liabilities:		
Accounts payable and accrued liabilities	\$ 352,086	\$ 406,631
Income taxes payable	—	1,255
Current portion of lease obligations (note 9(d))	15,204	14,518
Total current liabilities	367,290	422,404
Non-current liabilities:		
Long-term debt (note 7)	1,000,000	845,000
Lease obligations (note 9(d))	68,065	66,982
Other non-current liabilities	45,227	42,190
Total non-current liabilities	1,113,292	954,172
Total liabilities	1,480,582	1,376,576
Equity:		
Share capital	177,010	174,218
Contributed surplus	28,642	32,769
Retained earnings	1,282,021	1,628,042
Accumulated other comprehensive income (loss)	(12,118)	(535)
Total equity attributable to shareholders of the Company	1,475,555	1,834,494
Total liabilities and equity	\$ 2,956,137	\$ 3,211,070

See accompanying notes to unaudited condensed interim consolidated financial statements.

GILDAN ACTIVEWEAR INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
AND COMPREHENSIVE INCOME (LOSS)
 (in thousands of U.S. dollars, except per share data) - unaudited

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Net sales (note 15)	\$ 602,314	\$ 739,658	\$ 1,291,121	\$ 2,165,228
Cost of sales (note 9(e))	466,823	536,944	1,197,569	1,578,982
Gross profit	135,491	202,714	93,552	586,246
Selling, general and administrative expenses	61,490	78,972	200,372	263,991
Impairment of trade accounts receivable (note 4)	504	1,482	14,969	26,276
Restructuring and acquisition-related costs (note 8)	4,747	4,408	43,897	31,280
Impairment of goodwill and intangible assets (note 6)	—	—	93,989	—
Operating income (loss)	68,750	117,852	(259,675)	264,699
Financial expenses, net (note 9(b))	11,442	9,885	35,392	29,626
Earnings (loss) before income taxes	57,308	107,967	(295,067)	235,073
Income tax expense (recovery)	953	3,084	(2,433)	7,776
Net earnings (loss)	56,355	104,883	(292,634)	227,297
Other comprehensive income (loss), net of related income taxes (note 11):				
Cash flow hedges	7,787	(2,973)	(11,583)	(14,898)
Comprehensive income (loss)	\$ 64,142	\$ 101,910	\$ (304,217)	\$ 212,399
Earnings (loss) per share (note 12):				
Basic	\$ 0.28	\$ 0.51	\$ (1.48)	\$ 1.11
Diluted	\$ 0.28	\$ 0.51	\$ (1.48)	\$ 1.11

See accompanying notes to unaudited condensed interim consolidated financial statements.

GILDAN ACTIVEWEAR INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Nine months ended September 27, 2020 and September 29, 2019
(in thousands or thousands of U.S. dollars) - unaudited

	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
	Number	Amount				
Balance, December 29, 2019	199,012	\$ 174,218	\$ 32,769	\$ (535)	\$ 1,628,042	\$ 1,834,494
Share-based compensation	—	—	(1,066)	—	—	(1,066)
Shares issued under employee share purchase plan	58	1,042	—	—	—	1,042
Shares issued or distributed pursuant to vesting of restricted share units	77	2,495	(3,397)	—	—	(902)
Shares repurchased for cancellation	(843)	(744)	—	—	(22,472)	(23,216)
Share repurchases for settlement of non-Treasury RSUs	(2)	(1)	—	—	(26)	(27)
Dividends declared	—	—	336	—	(30,889)	(30,553)
Transactions with shareholders of the Company recognized directly in equity	(710)	2,792	(4,127)	—	(53,387)	(54,722)
Cash flow hedges (note 11)	—	—	—	(11,583)	—	(11,583)
Net loss	—	—	—	—	(292,634)	(292,634)
Comprehensive loss	—	—	—	(11,583)	(292,634)	(304,217)
Balance, September 27, 2020	198,302	\$ 177,010	\$ 28,642	\$ (12,118)	\$ 1,282,021	\$ 1,475,555
Balance, December 30, 2018	206,732	\$ 159,858	\$ 32,490	\$ 3,382	\$ 1,740,342	\$ 1,936,072
Adjustments relating to the adoption of new accounting standards	—	—	—	—	(2,176)	(2,176)
Adjusted balance, December 31, 2018	206,732	159,858	32,490	3,382	1,738,166	1,933,896
Share-based compensation	—	—	19,496	—	—	19,496
Shares issued under employee share purchase plan	34	1,215	—	—	—	1,215
Shares issued pursuant to exercise of stock options	407	11,508	(3,115)	—	—	8,393
Shares issued or distributed pursuant to vesting of restricted share units	11	275	(1,465)	—	—	(1,190)
Shares repurchased for cancellation	(3,494)	(2,827)	—	—	(125,614)	(128,441)
Dividends declared	—	—	752	—	(83,903)	(83,151)
Transactions with shareholders of the Company recognized directly in equity	(3,042)	10,171	15,668	—	(209,517)	(183,678)
Cash flow hedges (note 11)	—	—	—	(14,898)	—	(14,898)
Net earnings	—	—	—	—	227,297	227,297
Comprehensive income (loss)	—	—	—	(14,898)	227,297	212,399
Balance, September 29, 2019	203,690	\$ 170,029	\$ 48,158	\$ (11,516)	\$ 1,755,946	\$ 1,962,617

See accompanying notes to unaudited condensed interim consolidated financial statements.

GILDAN ACTIVEWEAR INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in thousands of U.S. dollars) - unaudited

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Cash flows from (used in) operating activities:				
Net earnings (loss)	\$ 56,355	\$ 104,883	\$ (292,634)	\$ 227,297
Adjustments to reconcile net earnings to cash flows from (used in) operating activities (note 13(a))	29,912	52,114	239,414	159,832
	86,267	156,997	(53,220)	387,129
Changes in non-cash working capital balances:				
Trade accounts receivable	(50,844)	(19,887)	109,609	(211,485)
Income taxes	(2,002)	408	(5,579)	(621)
Inventories	95,694	(41,718)	114,402	(113,228)
Prepaid expenses, deposits and other current assets	4,143	1,189	26,001	(3,541)
Accounts payable and accrued liabilities	17,725	27,302	(67,831)	40,347
Cash flows from operating activities	150,983	124,291	123,382	98,601
Cash flows from (used in) investing activities:				
Purchase of property, plant and equipment	(12,955)	(36,933)	(37,608)	(110,291)
Purchase of intangible assets	(1,143)	(3,250)	(7,319)	(8,644)
Business acquisitions	—	—	—	(1,300)
Proceeds on disposal of property, plant and equipment	250	3,215	779	5,871
Cash flows used in investing activities	(13,848)	(36,968)	(44,148)	(114,364)
Cash flows from (used in) financing activities:				
Increase (decrease) in amounts drawn under long-term bank credit facilities	(367,000)	(51,000)	(245,000)	238,000
Proceeds from term loan	—	—	400,000	—
Payment of lease obligations	(3,911)	(3,461)	(11,230)	(10,089)
Dividends paid	—	(27,536)	(30,553)	(83,151)
Proceeds from the issuance of shares	268	361	940	9,015
Repurchase and cancellation of shares	—	—	(23,216)	(128,441)
Share repurchases for settlement of non-Treasury RSUs	—	—	(27)	—
Withholding taxes paid pursuant to the settlement of non-Treasury RSUs	—	—	(133)	—
Cash flows from (used in) financing activities	(370,643)	(81,636)	90,781	25,334
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	477	(481)	(1,225)	(437)
Increase (decrease) in cash and cash equivalents during the period	(233,031)	5,206	168,790	9,134
Cash and cash equivalents, beginning of period	465,947	50,585	64,126	46,657
Cash and cash equivalents, end of period	\$ 232,916	\$ 55,791	\$ 232,916	\$ 55,791
Cash paid during the period (included in cash flows from (used in) operating activities):				
Interest	\$ 10,361	\$ 9,987	\$ 28,701	\$ 25,989
Income taxes, net of refunds	3,589	2,900	7,087	8,908

Supplemental disclosure of cash flow information (note 13).

See accompanying notes to unaudited condensed interim consolidated financial statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the period ended September 27, 2020

(Tabular amounts in thousands or thousands of U.S. dollars except per share data, unless otherwise indicated)

1. REPORTING ENTITY:

Gildan Activewear Inc. (the "Company" or "Gildan") is domiciled in Canada and is incorporated under the *Canada Business Corporations Act*. Its principal business activity is the manufacture and sale of activewear, hosiery, and underwear. The Company's fiscal year ends on the Sunday closest to December 31 of each year.

The address of the Company's registered office is 600 de Maisonneuve Boulevard West, Suite 3300, Montreal, Quebec. These unaudited condensed interim consolidated financial statements are as at and for the three and nine months ended September 27, 2020 and include the accounts of the Company and its subsidiaries. The Company is a publicly listed entity and its shares are traded on the Toronto Stock Exchange and New York Stock Exchange under the symbol GIL.

2. BASIS OF PREPARATION:**(a) Statement of compliance:**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's fiscal 2019 audited consolidated financial statements. The Company applied the same accounting policies in the preparation of these unaudited condensed interim consolidated financial statements as those disclosed in note 3 of its most recent annual consolidated financial statements, except for the adoption of new standards effective as of December 30, 2019 as described below in note 2(d).

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on October 28, 2020.

(b) Seasonality of the business:

The Company's net sales are subject to seasonal variations. Net sales have historically been higher during the second and third quarters, however for fiscal 2020 net sales are not following historical patterns due to the impact of the coronavirus ("COVID-19") pandemic.

(c) Operating segments:

The Company manages its business on the basis of one reportable operating segment.

(d) Initial application of new accounting standards and interpretations in the reporting period:

On December 30, 2019, the Company adopted the following new amendment:

Amendments to IFRS 3, Business combinations

In October 2018, the IASB issued amendments to IFRS 3, Business combinations. The amendments clarify the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and apply prospectively. Given the prospective application of the amendment, its adoption did not have an impact on the Company's consolidated financial statements.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET APPLIED:

Amendments to IAS 1, Presentation of Financial Statements

On January 23, 2020, the IASB issued narrow-scope amendments to IAS 1, Presentation of Financial Statements, to clarify how to classify debt and other liabilities as current or non-current. The amendments (which affect only the presentation of liabilities in the statement of financial position) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Earlier application is permitted. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

Interest Rate Benchmark Reform

On September 26, 2019, the IASB published "Interest Rate Benchmark Reform - Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)" as a first reaction to the potential effects the IBOR reform could have on financial reporting. Interbank offered rates ("IBORs") are interest reference rates, such as LIBOR, EURIBOR and TIBOR, that represent the cost of obtaining unsecured funding, in a particular combination of currency and maturity, and in a particular interbank term lending market. The amendments from Phase 1 modified specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The Company has floating rate debt with a variable rate of interest linked to U.S. LIBOR as a benchmark for establishing the rate in the amount of \$800 million outstanding as at September 27, 2020, a portion of which is hedged with \$275 million of floating-to-fixed interest rate swaps that are designated as cash flow hedges. The Company early adopted the Phase 1 amendments effective September 30, 2019 (first day of the fourth quarter of fiscal 2019).

On August 27 2020, the IASB published "Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) to address issues relating to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements when an existing interest rate benchmark is actually replaced. The amendment introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting under IFRS 16. Under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument, and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements. The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and are to be applied retrospectively. Earlier application is permitted. There is currently no anticipated impact of the amendment on the Company's consolidated financial statements upon its initial adoption date (January 4, 2021) as the Company has not made any modifications as a direct consequence of the IBOR reform to date. It is too early to determine if any upcoming potential modifications will meet the requirements for the application of the practical expedient.

4. TRADE ACCOUNTS RECEIVABLE:

	September 27, 2020	December 29, 2019
Trade accounts receivable	\$ 228,982	\$ 328,115
Allowance for expected credit losses	(18,789)	(7,184)
	\$ 210,193	\$ 320,931

As at September 27, 2020, trade accounts receivables being serviced under a receivables purchase agreement amounted to \$98.4 million (December 29, 2019 - \$141.0 million). The receivables purchase agreement, which allows for the sale of a maximum of \$175 million of accounts receivables at any one time, expires on June 21, 2021, subject to annual extensions. The Company retains servicing responsibilities, including collection, for these trade receivables but has not retained any credit risk with respect to any trade receivables that have been sold. The difference between the carrying amount of the receivables sold under the agreement and the cash received at the time of transfer was \$0.5 million (2019 - \$0.8 million) and \$1.4 million (2019 - \$2.3 million), respectively, for the three and nine months ended September 27, 2020, and was recorded in bank and other financial charges.

The movement in the allowance for expected credit losses in respect of trade receivables was as follows:

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Allowance for expected credit losses, beginning of period	\$ (21,123)	\$ (8,666)	\$ (7,184)	\$ (7,547)
Impairment of trade accounts receivable	(504)	(1,482)	(14,969)	(26,276)
Write-off of trade accounts receivable	2,838	3,597	3,364	27,272
Allowance for expected credit losses, end of period	\$ (18,789)	\$ (6,551)	\$ (18,789)	\$ (6,551)

Impairment of trade accounts receivable

The impairment of trade accounts receivable for the nine months ended September 27, 2020 was mainly related to an increase in the estimate of expected credit losses (ECLs) attributable to the heightened credit risk caused by the COVID-19 pandemic. The impairment of trade accounts receivable for the nine months ended September 29, 2019 consisted primarily of a \$21.7 million charge relating to the receivership and liquidation of one of the Company's U.S. distributor customers.

In determining its allowance for expected credit losses, the Company applies the simplified approach per IFRS 9, Financial Instruments, and calculates expected credit losses based on lifetime expected credit losses. The Company has established a provision matrix, which segregates its customers by their economic characteristics and allocates expected credit loss rates based on days past due of its trade receivables. Expected credit loss rates are based on the Company's historical credit loss experience, adjusted for forward-looking factors of the economic environment. In light of the COVID-19 pandemic, the Company's provision matrix was adjusted, as its historical experience was not reflective of the current market conditions, including the uncertainties present in the current economic environment, such as the financial viability of its debtors and the various levels of government support that have been announced. Many of our customers have seen a major reduction in their sales and operations during this period and are taking specific measures to minimize operating losses and preserve liquidity, including requests to extend payment terms on the Company's previously invoiced shipments at the onset of the COVID-19 pandemic. As a result, previously determined loss rates for the individual days past due categories included in the provision matrix are not reflective of expected losses at this time. Therefore, the Company has applied loss rates to individually significant receivables, or sub-categories of individually significant receivables, based on its evaluation of possible outcomes with respect to the collectability of these amounts at the measurement date. The Company has increased its expected credit loss rates by reference to projected macroeconomic loss factors (such as projected GDP decreases or projected market default rates) to reflect the additional risk of loss that the current economic conditions would indicate. For customers in good standing who have not requested extended payment terms on the Company's previously invoiced shipments, the expected credit loss rates have not been modified.

4. TRADE ACCOUNTS RECEIVABLE (continued):

Impairment of trade accounts receivable (continued)

For customers who had initially requested extended payment terms on the Company's previously invoiced shipments and who continue to be impacted by the current economic environment, an expected loss rate ranging between 2% and 10% has been determined using macroeconomic factors, and depending on the customer's historical payment history, the nature of its operations, and its geographic location. For customers previously in default, a significant loss rate has been determined. A 10% increase in the expected loss rate for all customers with a balance due as at September 27, 2020 would result in an \$21 million increase in the allowance for expected credit losses. In the event that new information becomes available to us that would change the Company's assessment of expected loss, the amounts recorded in allowance for expected credit losses will be updated in the period in which the additional information is received. There is no assurance that our current estimates of recoverability will not change significantly as the COVID-19 pandemic and its related business and societal impacts evolve, which may either require a charge to earnings or a reversal of such allowances in subsequent periods based on revised estimates or actual collection experience.

5. INVENTORIES:

	September 27, 2020	December 29, 2019
Raw materials and spare parts inventories	\$ 125,864	\$ 152,584
Work in progress	53,454	75,535
Finished goods	759,254	823,933
	\$ 938,572	\$ 1,052,052

6. INTANGIBLE ASSETS AND GOODWILL:

Goodwill and intangible assets acquired through business acquisitions have been allocated to the Company's cash-generating units ("CGUs") as follows:

	September 27, 2020	December 29, 2019
Textile & Sewing:		
Goodwill	\$ 206,636	\$ 206,637
Definite life intangible assets (excluding computer software)	29,080	33,066
Indefinite life intangible assets	93,400	93,400
	\$ 329,116	\$ 333,103
Hosiery:		
Goodwill	\$ —	\$ 21,228
Definite life intangible assets (excluding computer software)	65,325	101,906
Indefinite life intangible assets	86,129	129,272
	\$ 151,454	\$ 252,406

In assessing whether goodwill and indefinite life intangible assets are impaired, the carrying amounts of the CGUs (including goodwill and long-lived assets) are compared to their recoverable amounts. The recoverable amounts of CGUs are based on the higher of the value in use and fair value less costs of disposal. The Company performed the annual impairment review for goodwill and indefinite life intangible assets as at December 29, 2019, and the estimated recoverable amounts exceeded the carrying amounts of its CGUs and as a result, there was no impairment identified. However, for the Hosiery CGU, management had identified that a decrease in the risk adjusted forecasted adjusted EBITDA of 10%, combined with a decrease in the adjusted EBITDA multiple by a factor of 1 would result in the estimated recoverable amount being equal to the carrying amount.

6. INTANGIBLE ASSETS AND GOODWILL (continued):*Hosiery CGU*

The COVID-19 outbreak, which was declared a pandemic on March 11, 2020 by the World Health Organization led to a rapid deterioration in the global economic environment and triggered a sharp fall in stock markets and enterprise values worldwide. In addition, the Company's market capitalization declined significantly between March 11, 2020 and March 29, 2020. The measures adopted by the various levels of government across key markets in order to mitigate the spread of COVID-19 significantly affected economic activity and sentiment, disrupting the business operations of companies worldwide, and required many of the Company's customers to which it sells hosiery products to temporarily close all of their retail locations across the U.S. in mid to late-March. Therefore, as a result of the adverse impact of the COVID-19 pandemic on the global economic environment and on the Company's market capitalization and considering that the fair value of the Hosiery CGU as at December 29, 2019 was only 20% higher than its carrying value, the Company performed an impairment review of the Hosiery CGU as at March 29, 2020.

Based on the results of its impairment review of the Hosiery CGU, the Company recorded an impairment charge of \$94.0 million in the first quarter of fiscal 2020, relating to goodwill and intangible assets (both definite and indefinite life) acquired in previous business acquisitions. The non-cash write-down of goodwill and intangible assets is expected to have no impact on the Company's liquidity, cash flows from operating activities, or its compliance with debt covenants. The primary cause for the impairment charge is the deterioration in the global economic environment and the resulting decline in the Company's share price, market capitalization, and forecasted earnings.

The Company determined the recoverable amounts of the Hosiery CGU based on the fair value less costs of disposal method. The fair value of the Hosiery CGU was based on a multiple applied to forecasted recurring earnings before financial expenses, income taxes, depreciation and amortization, and restructuring and acquisition-related costs ("adjusted EBITDA"), which considers financial forecasts approved by senior management. The adjusted EBITDA multiple was obtained by using market comparables as a reference. The key assumptions used in the estimation of the recoverable amount for the Hosiery CGU are the risk adjusted forecasted recurring adjusted EBITDA and the adjusted EBITDA multiple of 7 (adjusted EBITDA multiple of 11 in 2019). The most significant assumptions that form part of the risk adjusted forecasted recurring adjusted EBITDA relate to estimated sales volumes, selling prices, input costs, and SG&A expenses. A decrease in the risk adjusted forecasted adjusted EBITDA of 10%, combined with a decrease in the adjusted EBITDA multiple by a factor of 1 would result in an additional impairment of approximately \$90 million. The values assigned to the key assumptions represent management's assessment of future trends and have been based on historical data from external and internal sources. The Company has not identified a triggering event for impairment or reversal of impairment during the second or third quarter of fiscal 2020.

Textile & Sewing CGU

Based on the annual impairment review for goodwill and indefinite life intangible assets performed as at December 29, 2019, the excess of the recoverable amount over the carrying value for the Textile & Sewing CGU was significant. However, given the current global economic environment and its impact on the Company's market capitalization, the Company also performed an impairment review of the Textile & Sewing CGU as at March 29, 2020 using the fair value less costs of disposal method, and concluded that no impairment was required and that no reasonably possible change in the key assumptions used in determining the recoverable amount would result in any impairment of goodwill or indefinite life intangible assets for this CGU.

7. LONG-TERM DEBT:

	Effective interest rate ⁽¹⁾	Principal amount		Maturity date
		September 27, 2020	December 29, 2019	
Revolving long-term bank credit facility, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 3% ⁽²⁾	2.3%	\$ —	\$ 245,000	April 2025
Term loan, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1% to 3%, payable monthly ⁽³⁾	2.6%	300,000	300,000	April 2025
Term loan, interest at variable U.S. LIBOR-based interest rate plus a spread ranging from 1.7% to 3%, payable monthly ⁽³⁾	2.6%	400,000	—	April 2022
Notes payable, interest at fixed rate of 2.70%, payable semi-annually ⁽⁴⁾	2.7%	100,000	100,000	August 2023
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.53%, payable quarterly ⁽⁴⁾	2.7%	50,000	50,000	August 2023
Notes payable, interest at fixed rate of 2.91%, payable semi-annually ⁽⁴⁾	2.9%	100,000	100,000	August 2026
Notes payable, interest at variable U.S. LIBOR-based interest rate plus a spread of 1.57%, payable quarterly ⁽⁴⁾	2.9%	50,000	50,000	August 2026
		\$ 1,000,000	\$ 845,000	

- (1) Represents the annualized effective interest rate for the nine months ended September 27, 2020, including the cash impact of interest rate swaps, where applicable.
- (2) The Company's unsecured revolving long-term bank credit facility of \$1 billion provides for an annual extension which is subject to the approval of the lenders. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the credit facility agreement and its amendments). In addition, an amount of \$2.0 million (December 29, 2019 - \$22.5 million) has been committed against this facility to cover various letters of credit.
- (3) The unsecured term loans are non-revolving and can be prepaid in whole or in part at any time with no penalties. The spread added to the U.S. LIBOR-based variable interest rate is a function of the total net debt to EBITDA ratio (as defined in the term loan agreements and its amendments).
- (4) The unsecured notes issued for a total aggregate principal amount of \$300 million to accredited investors in the U.S. private placement market can be prepaid in whole or in part at any time subject to the payment of a prepayment penalty as provided for in the Note Purchase Agreement.

In March 2020, the Company amended its unsecured revolving long-term bank credit facility of \$1 billion and its unsecured term loan of \$300 million, in each case to extend the maturity dates from April 2024 to April 2025. On April 6, 2020, the Company entered into a new unsecured two-year term loan agreement for a total principal amount of \$400 million. Under the terms of the revolving long-term bank credit facility, both term loan facilities, and the notes, the Company is required to comply with certain covenants, including maintenance of financial ratios.

On June 26, 2020, given the rapidly changing environment and level of uncertainty being created by the COVID-19 pandemic and the associated impact on current and future earnings, the Company amended its various loans and note agreements in order to modify its covenants to provide increased financial flexibility.

7. LONG-TERM DEBT (continued):

The amendments effect changes to certain provisions and covenants under the revolving long-term bank credit facility, both term loan facilities, and the privately issued notes during the period beginning March 30, 2020 and ending April 4, 2021 (the “covenant relief period”), as follows:

- An increase in the maximum Total Net Debt to EBITDA Ratio (ratio of the Company’s total debt to EBITDA for the preceding four fiscal quarters) from 3.25 to 1.00 to (i) 3.50 to 1.00 for the fiscal quarter ending September 27, 2020, (ii) 4.50 to 1.00 for the fiscal quarter ending January 3, 2021, (iii) 4.50 to 1.00 for the fiscal quarter ending April 4, 2021, and (iv) 3.50 to 1.00 for the fiscal quarter ending July 4, 2021 and at all times thereafter;
- A decrease in the minimum Interest Coverage Ratio (ratio of the Company’s EBITDA for the preceding four fiscal quarters to its consolidated total interest expense) from 3.50 to 1.00 to 3.00 to 1.00 for all periods;
- The computation of EBITDA for purposes of the Total Net Debt to EBITDA Ratio and Interest Coverage Ratio calculations was adjusted to exclude the financial results of the fiscal quarter ending June 28, 2020 and annualizing the three other fiscal quarters included in the twelve-month measurement period to arrive at a twelve-month trailing EBITDA ending on the date on which the ratios are calculated, and to limit the amount of adjustments made in the computation of EBITDA;
- Dividends and share repurchases are not permitted during the covenant relief period, except during the fiscal quarters ending January 3, 2021 and April 4, 2021 if the Total Net Debt to EBITDA Ratio is less than 3.00 to 1.00;
- Maintain a minimum available liquidity of at least \$400 million;
- Total investments, capital expenditures, and acquisitions, cannot exceed \$100 million in the aggregate during the covenant relief period, unless certain liquidity thresholds are met;
- Sales of assets cannot exceed \$25 million;
- Incurrence of new indebtedness cannot exceed \$100 million; and
- Inclusion of customary anti-cash hoarding provisions.

During the covenant relief period, the applicable spread added to the variable U.S. LIBOR-based interest rate for the revolving long-term bank credit facility and both term loan facilities will increase by between 50 to 100 basis points per year, varying as a function of the Total Net Debt to EBITDA ratio. Private noteholders will receive an increase of 125 basis points per year (payable quarterly) during the covenant relief period (which is recorded in bank and other financial charges for the three and nine months ended September 27, 2020), unless the Company is in compliance with its original covenants on the last day of such fiscal quarter. In addition, upfront costs of \$3.9 million incurred for the amendments are included in bank and other financial charges for the nine months ended September 27, 2020.

The Company was in compliance with all amended financial covenants at September 27, 2020 and expects to maintain compliance with its covenants over the next twelve months, based on its current expectations and forecasts. If economic conditions caused by the COVID-19 pandemic worsen, this could impact the Company’s ability to maintain compliance with its amended financial covenants and require the Company to seek additional amendments to its loan and note agreements.

8. RESTRUCTURING AND ACQUISITION-RELATED COSTS:

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Employee termination and benefit costs	\$ 967	\$ 2,841	\$ 8,961	\$ 9,970
Exit, relocation and other costs	3,310	3,738	11,152	13,023
Net loss (gain) on disposal, write-downs, and accelerated depreciation of property, plant and equipment, right-of-use assets and computer software related to exit activities	470	(2,171)	23,784	8,273
Acquisition-related transaction costs	—	—	—	14
	\$ 4,747	\$ 4,408	\$ 43,897	\$ 31,280

Restructuring and acquisition-related costs for the nine months ended September 27, 2020 related to the following: \$22.1 million for the closure of a yarn-spinning plant in the U.S., including accelerated depreciation of right-of-use assets and equipment; \$9.4 million for the closure of textile manufacturing and sewing operations in Mexico; \$5.9 million for the exit of ship-to-the-piece activities, including computer software write-downs and warehouse consolidation costs; \$2.3 million for SG&A workforce reductions; and \$4.2 million in other costs, including costs incurred to complete restructuring activities that were initiated in fiscal 2019.

Restructuring and acquisition-related costs for the nine months ended September 29, 2019 related to the following: \$6.0 million for the exit of yarn recycling activities, including the planned disposal of yarn recycling equipment; \$6.5 million for the closure of a hosiery manufacturing plant in Canada; \$9.6 million for the consolidation of sewing activities, primarily in Honduras and Mexico; \$4.4 million for the closure of a yarn-spinning plant in the U.S.; \$1.3 million for the closure of an administrative office in the U.S.; \$1.5 million for the closure of a distribution centre in the U.S.; and \$2.0 million in other costs to complete restructuring activities that were initiated in fiscal 2018, including the closure of the AKH textile manufacturing facility and the consolidation of U.S. distribution centres.

9. OTHER INFORMATION:
(a) Depreciation and amortization:

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Depreciation of property, plant and equipment	\$ 26,660	\$ 27,435	\$ 82,112	\$ 90,150
Depreciation of right-of-use assets	3,558	3,215	10,890	9,687
Adjustment for the variation of depreciation included in inventories at the beginning and end of the period	(1,565)	3,770	(922)	6,761
Amortization of intangible assets, excluding computer software	3,306	3,924	10,994	13,365
Amortization of computer software	1,479	1,343	4,555	3,854
Depreciation and amortization included in net earnings	\$ 33,438	\$ 39,687	\$ 107,629	\$ 123,817

Included in property, plant and equipment as at September 27, 2020 is \$12.0 million (December 29, 2019 - \$37.7 million) of buildings and equipment not yet available for use in operations. Included in intangible assets as at September 27, 2020 is \$2.3 million (December 29, 2019 - \$9.9 million) of software not yet available for use in operations. Depreciation and amortization on these assets commence when the assets are available for use.

Effective July 1, 2019, the Company revised the estimated useful lives of its yarn-spinning manufacturing equipment based on a re-assessment of their expected use to the Company and recent experience of their economic lives. These assets, which were previously being depreciated on a straight-line basis over 10 years, are now depreciated on a straight-line basis over 15 to 20 years depending on the nature of the equipment. For fiscal 2020, the change in estimate resulted in a reduction in depreciation included in net earnings of approximately \$4 million and \$13 million, respectively, for the three and nine months ended September 27, 2020, and is expected to result in a reduction of depreciation included in net earnings of approximately \$4 million for the remainder of the fiscal year.

(b) Financial expenses, net:

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Interest expense on financial liabilities recorded at amortized cost ⁽¹⁾	\$ 7,475	\$ 7,630	\$ 23,159	\$ 21,971
Bank and other financial charges ⁽²⁾	3,384	1,984	10,916	5,709
Interest accretion on discounted lease obligations	777	743	2,519	2,370
Interest accretion on discounted provisions	59	72	184	215
Foreign exchange gain	(253)	(544)	(1,386)	(639)
	\$ 11,442	\$ 9,885	\$ 35,392	\$ 29,626

(1) Net of capitalized borrowing costs of \$0.4 million (2019 - \$0.5 million) and \$1.2 million (2019 - \$0.8 million), respectively, for the three and nine months ended September 27, 2020.

(2) For the nine months ended September 27, 2020, includes upfront costs of \$3.9 million for the June 2020 amendments of the loans and notes agreements.

9. OTHER INFORMATION (continued):
(c) Related party transaction:

The Company incurred expenses for airplane usage of \$0.1 million (2019 - \$0.1 million) and \$0.6 million (2019 - \$0.8 million), respectively, for the three and nine months ended September 27, 2020, with a company controlled by the President and Chief Executive Officer of the Company. The payments made are in accordance with the terms of the agreement established and agreed to by the related parties. As at September 27, 2020, the amount in accounts payable and accrued liabilities related to the airplane usage was \$0.1 million (December 29, 2019 - \$0.7 million).

(d) Lease obligations:

The Company's leases are primarily for manufacturing, sales, distribution, and administrative facilities.

The following table presents lease obligations recorded in the statement of financial position as at September 27, 2020:

	September 27, 2020
Current	\$ 15,204
Non-current	68,065
	\$ 83,269

The following table presents the future minimum lease payments under non-cancellable leases (including short term leases) as at September 27, 2020:

	September 27, 2020
Less than one year	\$ 19,720
One to five years	45,416
More than five years	32,604
	\$ 97,740

For the three and nine months ended September 27, 2020 the total cash outflow for recognized lease obligations (including interest) was \$4.7 million and \$13.7 million, respectively, of which \$3.9 million and \$11.2 million, respectively, was included as part of cash outflows from financing activities.

(e) Cost of sales:

Included in cost of sales are the following items:

- \$15.0 million and \$108.4 million, respectively, for the three and nine months ended September 27, 2020, of manufacturing costs charged directly to cost of sales as a result of low production levels due to the temporary suspension of production at most of our manufacturing facilities starting in mid-March 2020 resulting from the COVID-19 pandemic. These manufacturing costs consist mainly of salary and benefits continuation for suspended employees as a result of suspended production, severance for terminated employees, and unabsorbed salary, benefits, and overhead costs, including depreciation.
- \$11.3 million mark-to-market loss for the nine months ended September 27, 2020 (\$3.8 million gain for the three months ended September 27, 2020), for excess commodity contracts with merchants that no longer meet the own-use exemption based on a reduction of physical cotton consumption in line with reduced production requirements for the remainder of the year.
- \$9.4 million transfer for the nine months ended September 27, 2020 (nil for the three months ended September 27, 2020) from accumulated other comprehensive income to cost of sales for certain commodity forward, option, and swap contracts that no longer met the criteria for hedge accounting as the commodity purchases which the hedging instruments were respectively hedging were no longer expected to occur due to reduced production requirements.

9. OTHER INFORMATION (continued):
(e) Cost of sales (continued):

- Write-downs of inventory to net realizable value of nil and \$29.2 million, respectively for the three and nine months ended September 27, 2020, related to the Company's strategic initiative to significantly reduce its imprintables product line stock-keeping unit (SKU) count by exiting all ship to-the-piece activities and discontinuing overlapping and less productive styles and SKUs between brands, which the Company began implementing in the fourth quarter of fiscal 2019. The write-downs relate to changes in estimates as well as the impact of additional SKU reductions. In addition, write-downs of \$7.0 million and \$39.2 million, respectively, were recorded for the three and nine months ended September 27, 2020 due to the decline in the net realizable value of certain retail end-of-line products due to the current market environment and for retail product-line inventory management.

10. FAIR VALUE MEASUREMENT:

Disclosures relating to the nature and extent of the Company's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk, as well as risks arising from commodity prices, and how the Company manages those risks, are included in the section entitled "Financial risk management" of the Management's Discussion and Analysis of the Company's operations, financial performance and financial position as at December 29, 2019 and December 30, 2018. Updates to changes in our credit and liquidity risks are described in the section entitled "Financial risk management" of the Management's Discussion and Analysis of the Company's operations, financial performance and financial position as at September 27, 2020. Accordingly, these disclosures are incorporated into these condensed interim consolidated financial statements by cross-reference.

Financial instruments – carrying amounts and fair values:

The carrying amounts and fair values of financial assets and liabilities included in the unaudited condensed interim consolidated statements of financial position are as follows:

	September 27, 2020	December 29, 2019
Financial assets		
Amortized cost:		
Cash and cash equivalents	\$ 232,916	\$ 64,126
Trade accounts receivable	210,193	320,931
Financial assets included in prepaid expenses, deposits and other current assets	19,863	45,950
Long-term non-trade receivables included in other non-current assets	2,171	2,933
Derivative financial assets included in prepaid expenses, deposits and other current assets	10,200	9,816
Financial liabilities		
Amortized cost:		
Accounts payable and accrued liabilities ⁽¹⁾	323,845	395,564
Long-term debt - bearing interest at variable rates	800,000	645,000
Long-term debt - bearing interest at fixed rates ⁽²⁾	200,000	200,000
Derivative financial liabilities included in accounts payable and accrued liabilities	28,241	11,067

(1) Accounts payable and accrued liabilities include balances payable of \$19.9 million (December 29, 2019 - \$39.6 million) under supply-chain financing arrangements (reverse factoring) with a financial institution, whereby receivables due from the Company to certain suppliers can be collected by the suppliers from a financial institution before their original due date. These balances are classified as accounts payable and accrued liabilities and the related payments as cash flows from operating activities, given the principal business purpose of the arrangement is to provide funding to the supplier and not the Company, the arrangement does not significantly extend the payment terms beyond the normal terms agreed with other suppliers, and no additional deferral or special guarantees to secure the payments are included in the arrangement.

(2) The fair value of the long-term debt bearing interest at fixed rates was \$222.3 million as at September 27, 2020 (December 29, 2019 - \$206.4 million).

10. FAIR VALUE MEASUREMENT (continued):***Short-term financial assets and liabilities***

The Company has determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying amounts as at the reporting dates due to the short-term maturities of these instruments, as they bear variable interest-rates, or because the terms and conditions are comparable to current market terms and conditions for similar items.

Non-current assets and long-term debt bearing interest at variable rates

The fair values of the long-term non-trade receivables included in other non-current assets and the Company's long-term debt bearing interest at variable rates also approximate their respective carrying amounts because the interest rates applied to measure their carrying amounts approximate current market interest rates.

Long-term debt bearing interest at fixed rates

The fair value of the long-term debt bearing interest at fixed rates is determined using the discounted future cash flows method and at discount rates based on yield to maturities for similar issuances. The fair value of the long-term debt bearing interest at fixed rates was measured using Level 2 inputs in the fair value hierarchy. In determining the fair value of the long-term debt bearing interest at fixed rates, the Company takes into account its own credit risk and the credit risk of the counterparties.

Derivatives

Derivative financial instruments (most of which are designated as effective hedging instruments) consist of foreign exchange and commodity forward, option, and swap contracts, as well as floating-to-fixed interest rate swaps to fix the variable interest rates on a designated portion of borrowings under the term loan and unsecured notes. The fair value of the forward contracts is measured using a generally accepted valuation technique which is the discounted value of the difference between the contract's value at maturity based on the rate set out in the contract and the contract's value at maturity based on the rate that the counterparty would use if it were to renegotiate the same contract terms at the measurement date under current conditions. The fair value of the option contracts is measured using option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs, including volatility estimates and option adjusted credit spreads. The fair value of the interest rate swaps is determined based on market data, by measuring the difference between the fixed contracted rate and the forward curve for the applicable floating interest rates.

The Company also has a total return swap ("TRS") outstanding that is intended to reduce the variability of net earnings associated with deferred share units, which are settled in cash. The TRS is not designated as a hedging instrument and, therefore, the fair value adjustment at the end of each reporting period is recognized in selling, general and administrative expenses. The fair value of the TRS is measured by reference to the market price of the Company's common shares, at each reporting date. The TRS has a one-year term, may be extended annually, and the contract allows for early termination at the option of the Company. As at September 27, 2020, the notional amount of TRS outstanding was 262,004 shares.

Derivative financial instruments were measured using Level 2 inputs in the fair value hierarchy. In determining the fair value of derivative financial instruments the Company takes into account its own credit risk and the credit risk of the counterparties.

11. OTHER COMPREHENSIVE INCOME (LOSS) ("OCI"):

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Net gain (loss) on derivatives designated as cash flow hedges:				
Foreign currency risk	\$ (316)	\$ 3,900	\$ 5,142	\$ 7,558
Commodity price risk	7,955	(6,154)	(15,659)	(15,180)
Interest rate risk	396	(2,861)	(13,514)	(12,223)
Income taxes	4	(39)	(51)	(76)
Amounts reclassified from OCI to inventory, related to commodity price risk	298	5,499	6,861	11,643
Amounts reclassified from OCI to net earnings, related to foreign currency risk, interest rate risk, and commodity risk, and included in:				
Net sales	308	(2,071)	(470)	(5,108)
Cost of sales	—	(118)	8,483	(285)
Selling, general and administrative expenses	76	8	518	368
Financial expenses, net	(939)	(1,170)	(2,924)	(1,661)
Income taxes	5	33	31	66
Other comprehensive income (loss)	\$ 7,787	\$ (2,973)	\$ (11,583)	\$ (14,898)

During fiscal 2020, the Company determined that it no longer met the criteria for hedge accounting for certain commodity forward, option, and swap contracts and certain forward foreign exchange contracts (collectively the "hedging instruments") as the commodity purchases and foreign currency sales which the hedging instruments were respectively hedging, were no longer expected to occur due to current economic conditions resulting from the COVID-19 pandemic. Changes in the fair value of such commodity forward, option, and swap contracts and forward foreign exchange contracts resulted in a net loss of \$9.0 million, which were transferred out of accumulated other comprehensive income and recognized immediately in net earnings during the nine months ended September 27, 2020.

The change in the time value element of option and swap contracts designated as cash flow hedges to reduce the exposure in movements of commodity prices was not significant for the three and nine months ended September 27, 2020 and for the three and nine months ended September 29, 2019. The change in the forward element of derivatives designated as cash flow hedges to reduce foreign currency risk was not significant for the three and nine months ended September 27, 2020 and for the three and nine months ended September 29, 2019. No ineffectiveness has been recognized in net earnings for the three and nine months ended September 27, 2020 and for the three and nine months ended September 29, 2019.

As at September 27, 2020, accumulated other comprehensive loss of \$12.1 million consisted of net deferred losses on commodity forward, option, and swap contracts of \$1.7 million, net deferred losses on interest rate swap contracts of \$11.8 million, and net deferred gains on forward foreign exchange contracts of \$1.4 million. Approximately \$4.1 million of net losses presented in accumulated other comprehensive income (loss) are expected to be reclassified to inventory or net earnings within the next twelve months.

12. EARNINGS (LOSS) PER SHARE:

Reconciliation between basic and diluted earnings (loss) per share is as follows:

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Net earnings (loss) - basic and diluted	\$ 56,355	\$ 104,883	\$ (292,634)	\$ 227,297
Basic earnings (loss) per share:				
Basic weighted average number of common shares outstanding	198,257	203,684	198,360	205,080
Basic earnings (loss) per share	\$ 0.28	\$ 0.51	\$ (1.48)	\$ 1.11
Diluted earnings (loss) per share:				
Basic weighted average number of common shares outstanding	198,257	203,684	198,360	205,080
Plus dilutive impact of stock options, Treasury RSUs and common shares held in trust	47	579	—	539
Diluted weighted average number of common shares outstanding	198,304	204,263	198,360	205,619
Diluted earnings (loss) per share	\$ 0.28	\$ 0.51	\$ (1.48)	\$ 1.11

Excluded from the above calculation for the three months ended September 27, 2020 are 2,219,128 stock options (2019 - nil) and 17,500 Treasury RSUs (2019 - 7,500) which were deemed to be anti-dilutive. Excluded from the above calculation for the nine months ended September 27, 2020 are 2,219,128 stock options (2019 - nil) and 49,240 Treasury RSUs (2019 - 7,500) which were deemed to be anti-dilutive.

13. SUPPLEMENTAL CASH FLOW DISCLOSURE:
(a) Adjustments to reconcile net earnings to cash flows from (used in) operating activities:

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Depreciation and amortization (note 9(a))	\$ 33,438	\$ 39,687	\$ 107,629	\$ 123,817
Restructuring charges (gain) related to property, plant and equipment, right-of-use assets, and computer software (note 8)	470	(2,171)	23,784	8,273
Impairment of goodwill and intangible assets (note 6)	—	—	93,989	—
(Gain) loss on disposal of property, plant and equipment and computer software	(647)	7	1,532	595
Share-based compensation ⁽¹⁾	1,695	7,220	(904)	19,611
Deferred income taxes	(680)	(22)	(4,046)	(562)
Unrealized net (gain) loss on foreign exchange and financial derivatives	(7,289)	1,311	10,321	(836)
Timing differences between settlement of financial derivatives and transfer of deferred gains and losses in accumulated OCI to inventory and net earnings	(135)	1,749	5,754	713
Other non-current assets	405	2,849	(338)	4,904
Other non-current liabilities	2,655	1,484	1,693	3,317
	\$ 29,912	\$ 52,114	\$ 239,414	\$ 159,832

(1) During the nine months ended September 27, 2020, the Company revised its estimate for the achievement of performance factors relating to Non-Treasury RSUs to be settled in common shares purchased on the open market, resulting in a reduction of share-based compensation expense of \$9 million for the nine months ended September 27, 2020.

(b) Variations in non-cash transactions:

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Additions to property, plant and equipment and intangible assets included in accounts payable and accrued liabilities	\$ (1,238)	\$ (1,618)	\$ (12,372)	\$ 6,637
Proceeds on disposal of property, plant and equipment and computer software included in other current assets	(191)	(54)	(426)	(3)
Additions to right-of-use assets included in lease obligations	760	4,476	13,377	5,313
Impact of adoption of new accounting standards	—	—	—	(2,176)
Non-cash ascribed value credited to share capital from shares issued or distributed pursuant to vesting of restricted share units and exercise of stock options	2,108	—	2,495	3,869
Non-cash ascribed value credited to contributed surplus for dividends attributed to restricted share units	—	250	336	752

14. CONTINGENT LIABILITIES:
Claims and litigation

The Company is a party to claims and litigation arising in the normal course of operations. The Company does not expect the resolution of these matters to have a material adverse effect on the financial position or results of operations of the Company.

15. DISAGGREGATION OF REVENUE:

Net sales by major product group were as follows:

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
Activewear	\$ 456,328	\$ 619,165	\$ 960,534	\$ 1,778,338
Hosiery and underwear	145,986	120,493	330,587	386,890
	\$ 602,314	\$ 739,658	\$ 1,291,121	\$ 2,165,228

Net sales were derived from customers located in the following geographic areas:

	Three months ended		Nine months ended	
	September 27, 2020	September 29, 2019	September 27, 2020	September 29, 2019
United States	\$ 517,107	\$ 632,478	\$ 1,092,193	\$ 1,847,200
Canada	25,399	27,143	50,283	80,221
International	59,808	80,037	148,645	237,807
	\$ 602,314	\$ 739,658	\$ 1,291,121	\$ 2,165,228