



GILDAN®

2022 Second 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 six months ended July 3, 2022. 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 six months ended July 3, 2022, and the related notes, and with our MD&A for the year ended January 2, 2022 (2021 Annual MD&A).

In preparing this MD&A, we have taken into account all information available to us up to August 3, 2022, the date of this MD&A. The unaudited condensed interim consolidated financial statements as at and for the three and six months ended July 3, 2022 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 August 3, 2022.

The unaudited condensed interim consolidated financial statements as at and for the three and six months ended July 3, 2022 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 2021 Annual Information Form, is available on our website at www.gildancorp.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", "Operating results", "Liquidity and capital resources - Long-term debt and net debt", "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 2021 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 and the 2021 Annual MD&A, including certain assumptions relating to the three-year financial outlook referenced in this MD&A and the 2021 Annual MD&A under the section "Gildan Sustainable Growth Strategy".

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 and the appearance of COVID variants, including the scope and duration of government mandated general, partial, or targeted private sector shutdowns, travel restrictions, social distancing measures, and the pace of mass vaccination campaigns;

- changes in general economic and financial conditions globally or in one or more of the markets we serve, including those resulting from the impacts of the COVID-19 pandemic and the appearance of COVID variants, the current high inflationary environment and the ongoing Russia-Ukraine conflict and war;
- our ability to implement our growth strategies and plans, including our ability to bring projected capacity expansion online;
- 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 fibers, dyes and other chemicals from current levels;
- our reliance on key suppliers and our ability to maintain an uninterrupted supply of raw materials, intermediate materials and finished goods;
- the impact of climate, political, social, and economic risks, natural disasters, epidemics, pandemics and endemics, 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 shortages or disruptions, political or social instability, weather-related events, 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, including the implementation of a global minimum tax rate;
- 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

3.1 Overview

Gildan is a leading vertically integrated manufacturer of everyday basic apparel, including activewear, underwear, and hosiery products. Our products are sold in large quantities to wholesale imprintables distributors in North America, Europe, Asia-Pacific, and Latin America, as well as to national accounts in North America comprised of large corporate customers which include mass merchants, global lifestyle brand companies, screenprinters and embellishers, and various brick and mortar and/or online retailers.

Manufacturing and operating as a socially and environmentally responsible producer is at the heart of what we do. The vast majority of our sales are derived from products we manufacture ourselves. Since the Company's formation, we have made significant capital investments in developing and operating our own large-scale, vertically integrated manufacturing facilities, including yarn production, textile and sock manufacturing, as well as sewing operations, controlling essentially all aspects of the production process from start to finish for the garments we produce.

We believe the skill set that we have developed in designing, constructing, and operating our own manufacturing facilities, the level of vertical integration of our supply chain and the capital investments that we have made over the years differentiate us from our competition who are not as vertically integrated and may rely more heavily on third-party suppliers. 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 achieve adherence to high standards for environmental and social responsibility practices employed throughout our supply chain.

3.2 Our Operations

3.2.1 Brands, Products and Customers

The products we manufacture and sell are marketed under Company brands or under private or exclusive customers' brands. Our portfolio comprises primarily of the Gildan®, American Apparel®, Comfort Colors®, GoldToe®, and Peds® brands. We also sell sock products under the Under Armour® brand through a sock licensing agreement for exclusive distribution in the United States and Canada.

Our primary product categories include activewear tops and bottoms (activewear), socks (hosiery), and underwear tops and bottoms (underwear). In fiscal 2021, activewear sales accounted for 81% of total net sales and the hosiery and underwear sales category accounted for 19% of total net sales.

We sell our activewear products in large quantities primarily in "blank" or undecorated form, without imprints or embellishment. The majority of our sales are currently derived from activewear sold to wholesale distributors in the imprintables channels in North America and internationally. These wholesale distributors then sell the blank garments to screenprinters/embellishers who decorate the products with designs and logos. We also sell activewear products in blank form to national accounts in North America comprised of global lifestyle brand companies, large screenprinters and embellishers, licensed sports apparel companies and retailers, including mass merchants, craft stores, online retailers, department stores and dollar stores. Our customers sell our products under our own brands or their own private or exclusive brands. Our activewear products are ultimately sold into a highly diversified range of end-use markets and channels of distribution, including corporate and promotional product distributors, event, travel and tourism merchandisers, athletic dealers, educational and charitable organizations, entertainment promoters, on-line digital printers, as well as brick and mortar and online retailers.

We sell underwear and socks for men, ladies, and kids in large quantities to national accounts in North America comprised of brick and mortar and/or online retailers, including mass merchants, sports specialty stores, department stores and national chains, food and drug retailers, dollar stores, price clubs, as well as global lifestyle brand companies.

The following table summarizes our product offering under Company and licensed brands:

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

(1) The Company is planning to exit the sheer panty hose, tights, leggings, ladies shapewear, intimates, and accessories products, marketed under the Secret®, Silks®, Secret Silky® and Therapy Plus® brands.

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

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

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

(5) Secret® and Silks® are registered trademarks in Canada.

3.2.2 Manufacturing

The vast majority of our products are manufactured in facilities that we own and operate. To a much lesser extent, we also use third-party contractors to supplement certain product requirements. Our vertically integrated operations range from start to finish of the garment production process and 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 Honduras in Central America.

In order to support further sales growth, continue to drive an efficient and competitive cost structure, and enhance geographic diversification in our supply chain, we are expanding manufacturing capacity across our manufacturing network, including a significant expansion in Bangladesh for the development of a large multi-plant manufacturing complex expected to house two large textile facilities and related sewing operations. Construction of the first plant is currently underway. The incremental capacity is expected to service both North American and international markets.

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 fibers into yarn	<ul style="list-style-type: none"> ■ Salisbury, NC (2 facilities) ■ Mocksville, NC ■ Eden, NC ■ Clarkton, NC ■ Sanford, NC (2 facilities)⁽⁴⁾ ■ Stoneville, NC⁽⁴⁾ ■ Cedartown, GA 			
Textile facilities: knitting yarn into fabric, dyeing and cutting fabric		■ Honduras (4 facilities)	■ Dominican Republic	■ Bangladesh
Sewing facilities⁽²⁾: assembly and sewing of cut goods		<ul style="list-style-type: none"> ■ Honduras (3 facilities) ■ Nicaragua (4 facilities) 	■ Dominican Republic (2 facilities)	■ Bangladesh
Garment-dyeing⁽³⁾: pigment dyeing or reactive dyeing		■ Honduras		
Hosiery manufacturing facilities: conversion of yarn into finished socks		■ 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 at our textile facilities. Our garment dyeing operations are located in our Rio Nance 3 facility in Honduras.

(4) Acquired as part of the acquisition of Frontier Yarns, effective December 10, 2021.

3.2.3 Environmental, Social and Governance (ESG) Program

ESG is core to Gildan's long-term business strategy and has long-been a key element of success. As one of the most vertically integrated manufacturers in the apparel industry, producing the vast majority of the products we sell in our owned and/or Company-operated facilities, we have the advantage of exercising direct control on how we operate and in driving our ESG practices consistently across our operations.

The Company's ESG program is overseen centrally and the execution of the program is managed by dedicated teams of skilled professionals located in the regions where we operate. Our Board of Directors' Corporate Governance and Social Responsibility Committee, composed of independent directors, has the specific responsibility of overseeing Gildan's policies and practices in areas relevant to the environment, labour and human rights, health and safety, and other sustainability issues, including community engagement and stakeholder relations.

Building on a strong foundation of best-in-class ESG practices, at the beginning of 2022, the Company unveiled its "Next Generation ESG" strategy, an enhanced framework designed to deliver meaningful advancements by 2030 in key areas related to Climate, Energy, and Water; Circularity; Human Capital Management; Long-Term Value Creation; and Transparency and Disclosure. Under this strategy, Gildan seeks to tackle global environmental and social priorities aimed at improving the lives of people who make Gildan garments, further protecting the environment, empowering neighboring communities, and increasing the sustainability of products delivered to customers worldwide.

The Company's targets and objectives in the five key focus areas of its Next Generation ESG strategy are as follows:

- **Climate, Energy, and Water**

Gildan is committed to continuing its fight against climate change by paving the way towards a low carbon future, with a goal of reducing its scope 1 and 2 greenhouse gas (GHG) emissions by 30% by 2030¹ aligned with the Science Based Targets initiative (SBTi) and the level of decarbonization required to meet the goals of the Paris Agreement. To that effect, Gildan has signed the SBTi commitment letter, joining companies worldwide in following a science-based approach in reducing carbon emissions. Gildan is also committed to addressing water related risks linked to climate change. The Company plans to further invest in water efficiency and implement additional water reducing, reusing, and recycling options in its operations with the goal to reduce water intensity (usage/withdrawal per kilogram produced) by 20% by 2030¹.

- **Circularity**

Gildan is committed to fostering a circular economy to reduce its environmental impact and intends to source more sustainable and transparent raw materials and enhance sustainable waste management initiatives. This will include sourcing 100% sustainable cotton by 2025 and 30% recycled polyester or alternative fibers and/or yarns by 2027. The Company also plans to achieve zero manufacturing waste by 2027 and to use 75% recycled or sustainable packaging and trim materials by 2027.

- **Human Capital Management**

The Company will continue ensuring human rights are respected in its supply chain. Gildan will also push health and safety performance to new standards by working to improve employee safety and reducing workplace risks across its operations. To achieve this, Gildan plans to attain the ISO 45001 certification at all its Company-owned and operated facilities by 2028.

On diversity, equity, and inclusion, the Company set a first-time goal to improve gender parity. While Gildan has already attained gender parity globally at the manager level and below, by 2027 it is targeting to achieve gender parity within the employee group encompassing director level and above.

- **Long-Term Value Creation**

Gildan is committed to positively impacting economic development in regions where the Company operates with meaningful community engagement. Gildan intends to incrementally increase allocation of capital towards purposeful and value-driven projects in regions where the Company operates and plans to gradually reach a contribution of 1% of its pre-tax earnings by 2026. In parallel, the Company will also engage one of its most important stakeholders, its people, and continue to facilitate and encourage employee volunteerism at all levels to further deepen local impact.

- **Transparency and Disclosure**

A key part of Gildan's accountability in reaching these targets will be to transparently share the journey with stakeholders. To that effect, Gildan plans to further enhance and strengthen its ESG disclosure across all its areas of focus, effectively allowing stakeholders to make more informed ESG-focused decisions and maintaining a high degree of trust and understanding of Gildan.

In 2022, Gildan is planning to further enhance alignment to the Task Force on Climate-Related Financial Disclosures (TCFD) framework through a subsequent disclosure in a stand-alone report, which will detail Gildan's climate-related governance, strategy, risk management and metrics, and targets.

Please visit www.GildanRespects.com for more information on our ESG program and a more detailed discussion of our accomplishments in ESG.

¹ Compared to a 2018 baseline

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, production planning, inventory control and logistics, as well as finance, human resources and information technology functions. We also maintain sales support offices in the U.S. We have established extensive distribution operations primarily through internally managed and operated large distribution centers and some smaller facilities in the U.S., as well as a large 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

We currently employ over 51,000 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. Competition is generally based upon service and product availability, price, quality, comfort and fit, style, and brand. We compete on these factors by leveraging our competitive strengths, including our strategically located and vertically integrated manufacturing supply chain, scale, cost structure, global distribution, and our brand positioning in the markets we serve. We believe our manufacturing skill set, together with our large-scale, low-cost vertically integrated supply chain infrastructure that we have developed by investing significantly over time, are key competitive strengths and differentiators from our competition.

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 Hanesbrands Inc., as well as 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. 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 imprintables 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. Finally, although we also compete with some of our customers' own private brand offerings, we also supply products to certain customers that are seeking strategic suppliers with our type of manufacturing capabilities to support their private brand offerings.

4.0 STRATEGY

Building on a strong foundation, in 2022 the Company launched its "Gildan Sustainable Growth" (GSG) strategy focused on driving organic top and bottom-line growth through three key pillars – capacity expansion, innovation, and ESG. We believe by leveraging our competitive advantage as a low-cost, vertically integrated manufacturer and successfully executing on well-defined capacity expansion plans, delivering value-driven and innovative products, and through leading ESG practices will position us well to drive strong revenue growth, profitability and effective asset utilization, all of which are expected to allow us to deliver compelling shareholder value creation.

The three pillars of our GSG strategy:

Capacity-driven growth: *Leveraging our strong competitive advantage as a low-cost vertically integrated manufacturer as we execute on well-defined plans to expand our global production capacity to support projected sales growth in 2022 and beyond.*

To this end, we are adding incremental textile and sewing capacity in our manufacturing hubs in Central America and the Dominican Republic, which has started to ramp up. Further, in December 2021, the Company purchased one of its yarn suppliers, Frontier Yarns, adding Frontier's capacity in North Carolina to its already significant yarn manufacturing base. The acquisition of Frontier Yarns will allow Gildan to build on its global vertically integrated supply chain through further internalizing yarn production, and is expected to support incremental yarn needs for Gildan's textile capacity expansion plans in Central America and the Dominican Republic. Additionally, the Company is executing on the first phase of development of a large vertically integrated textile and sewing complex in Bangladesh.

Innovation: *Driving leadership in innovation across the organization and all areas of operations aimed at delivering high-quality, value-driven products, increased speed-to-market, operational efficiencies and a reduced environmental footprint.*

The Company has identified and defined specific key initiatives, as well as investments aimed at driving innovation in our product-development and manufacturing processes, distribution and final products, including fabric features, product fit, fabric adaptability to evolving printing and decorating techniques and ESG-friendly product attributes. Further investments will also be allocated to leverage digital tools, predictive analytics and artificial intelligence to better inform and accelerate decision-making across the organization, streamline systems and processes, and enhance planning, forecasting and market research.

ESG: *Further increasing our ESG focus across all operations and leveraging our strong ESG standing and progress to enhance our value proposition to all our stakeholders.*

With the launch of our Next Generation ESG strategy and the introduction of new long-term ESG targets, we are heightening ESG efforts across the organization. Initiatives under our strategy are aimed at reducing our carbon footprint, and water intensity (usage/withdrawal per kilogram produced), and fostering a circular economy, while driving increased operational efficiencies. Additional initiatives build on supporting economic development in regions where we operate and ensuring strong respect of human rights and high health and safety standards throughout our supply chain. Further, we will be increasing investment in our people, driving diversity and inclusion across our operations and enhancing ESG disclosure and transparency. All important areas of focus as we build on what is already a strong ESG proposition for all stakeholders.

5.0 OPERATING RESULTS

Impact of COVID-19 pandemic and other developments

During 2021, with the lifting of government-imposed requirements on social distancing and restrictions on social gatherings, we saw a strong rebound in economic activity in many sectors. The Company's revenues and earnings recovered to above pre-pandemic levels of performance by the second half of 2021, largely driven by the recovery in demand in the North American market. However, demand in some of the countries in which we compete outside of North America, such as in Europe and in particular Asia, continues to be impacted by the COVID-19 pandemic. Moreover, on the supply chain side, the pandemic and subsequent recovery that has ensued has brought on challenges affecting the market environment more broadly, including global supply chain disruptions, inflationary pressures, tightness in raw material inputs and inventories, as well as labour shortages. In addition, the Russia-Ukraine war is creating uncertainties and dampening the global economic outlook. While our International revenue streams are largely tied to Western European and Asian markets, with essentially no exposure to Russian markets, it is difficult to predict the broader impact the geopolitical situation and economic factors may have on global economies going forward. Notwithstanding these factors and the uncertainty regarding the future impact of the COVID-19 pandemic that remains, we believe our vertically-integrated manufacturing model will allow us to navigate well through various headwinds impacting the current market landscape.

5.1 Non-GAAP financial measures

We use non-GAAP financial measures and ratios to assess our operating performance and liquidity. 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 financial measures and ratios including adjusted net earnings, adjusted diluted EPS, adjusted gross profit, adjusted gross margin, adjusted operating income, adjusted operating margin, and adjusted EBITDA 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 to investors on the Company's financial performance and financial condition. We also use other non-GAAP financial measures including free cash flow, total debt, net debt, net debt leverage ratio and working capital.

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 per share amounts or otherwise indicated)	Jul 3, 2022	Apr 3, 2022	Jan 2, 2022	Oct 3, 2021	Jul 4, 2021	Apr 4, 2021	Jan 3, 2021	Sep 27, 2020
Net sales	895.6	774.9	784.3	801.6	747.2	589.6	690.2	602.3
Net earnings	158.2	146.4	173.9	188.3	146.4	98.5	67.4	56.4
Net earnings per share:								
Basic ⁽¹⁾	0.85	0.77	0.90	0.95	0.74	0.50	0.34	0.28
Diluted ⁽¹⁾	0.85	0.77	0.89	0.95	0.74	0.50	0.34	0.28
Weighted average number of shares outstanding (in '000s):								
Basic	185,506	189,344	193,841	197,334	198,464	198,418	198,362	198,257
Diluted	185,869	190,214	194,760	198,059	199,050	198,582	198,403	198,304

(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

Fiscal 2020 was an unprecedented year due to the significant effects of the COVID-19 pandemic on global economies. Consequently, our results of operations for the year ended January 3, 2021 were negatively affected by the significant downturn in demand. In conjunction with economic activity which started to recover in the second half of 2020, our sales and results of operations began to improve. Throughout 2021, the economic recovery strengthened alongside rapid vaccine deployment and the Company's revenues and earnings recovered steadily and returned to above pre-pandemic levels of performance by the second half of 2021.

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. Historically, 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 typically 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.

Our results are also impacted by fluctuations in the price of raw materials and other input costs. Cotton and polyester fibers 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 fibers, 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. 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 (recovery)" 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, in the fourth quarter of fiscal 2020, as well as in the fourth quarter of fiscal 2021, we recorded charges of \$32 million and \$8 million, respectively, related to our strategic initiatives to significantly reduce our product line SKU base. In the fourth quarter of fiscal 2021, the Company reported a reversal of impairment of \$32 million (net of specific asset write-offs) relating to our Hosiery cash-generating unit (CGU). Our results of operations over the past two years also include net insurance gains resulting from accrued insurance recoveries for the Company's claims for losses relating to the two hurricanes in Central America in November 2020 (Q4 2020: \$10 million; Q1 2021: \$6 million; Q2 2021: \$13 million; Q3 2021: \$30 million; Q1 2022: \$0.3 million).

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 Select financial information

(in \$ millions, except per share amounts or otherwise indicated)	Three months ended				Six months ended			
	Jul 3, 2022	Jul 4, 2021	Variation		Jul 3, 2022	Jul 4, 2021	Variation	
			\$	%			\$	%
Net sales	895.6	747.2	148.4	19.9 %	1,670.5	1,336.7	333.8	25.0 %
Gross profit	265.0	240.8	24.2	10.0 %	505.4	429.3	76.1	17.7 %
Adjusted gross profit ⁽¹⁾	265.0	228.1	36.9	16.2 %	504.1	411.5	92.6	22.5 %
SG&A expenses	88.4	79.7	8.7	10.9 %	168.9	153.1	15.8	10.3 %
Impairment (Reversal of impairment) of trade accounts receivable	1.1	(0.2)	1.3	n.m.	1.5	(0.3)	1.8	n.m.
Restructuring and acquisition-related costs (recovery)	1.6	1.6	—	n.m.	(1.2)	3.1	(4.3)	n.m.
Operating income	174.0	159.7	14.3	9.0 %	336.2	273.5	62.7	22.9 %
Adjusted operating income ⁽¹⁾	175.6	148.6	27.0	18.2 %	333.7	258.8	74.9	28.9 %
Adjusted EBITDA ⁽¹⁾	207.9	184.4	23.5	12.7 %	399.4	330.2	69.2	21.0 %
Financial expenses	7.4	6.5	0.9	13.8 %	14.4	17.3	(2.9)	(16.8)%
Income tax expense	8.4	6.7	1.7	25.4 %	17.2	11.1	6.1	55.0 %
Net earnings	158.2	146.4	11.8	8.1 %	304.6	245.0	59.6	24.3 %
Adjusted net earnings ⁽¹⁾	159.8	135.3	24.5	18.1 %	304.1	230.3	73.8	32.0 %
Basic EPS	0.85	0.74	0.11	14.9 %	1.63	1.23	0.40	32.5 %
Diluted EPS	0.85	0.74	0.11	14.9 %	1.62	1.23	0.39	31.7 %
Adjusted diluted EPS ⁽¹⁾	0.86	0.68	0.18	26.5 %	1.62	1.16	0.46	39.7 %
Gross margin ⁽²⁾	29.6 %	32.2 %	n/a	(2.6) pp	30.3 %	32.1 %	n/a	(1.8) pp
Adjusted gross margin ⁽¹⁾	29.6 %	30.5 %	n/a	(0.9) pp	30.2 %	30.8 %	n/a	(0.6) pp
SG&A expenses as a percentage of net sales ⁽³⁾	9.9 %	10.7 %	n/a	(0.8) pp	10.1 %	11.5 %	n/a	(1.4) pp
Operating margin ⁽⁴⁾	19.4 %	21.4 %	n/a	(2.0) pp	20.1 %	20.5 %	n/a	(0.4) pp
Adjusted operating margin ⁽¹⁾	19.6 %	19.9 %	n/a	(0.3) pp	20.0 %	19.4 %	n/a	0.6 pp

	Jul 3, 2022	Jan 2, 2022	Variation	
			\$	%
Total assets	3,355.3	3,136.7	218.6	7.0 %
Total non-current financial liabilities	815.0	600.0	215.0	35.8 %
Net debt ⁽¹⁾	847.9	529.9	318.0	60.0 %
Quarterly cash dividend declared per common share	0.169	0.154	n/a	n/a
Net debt leverage ratio ⁽¹⁾	1.1	0.7	n/a	n/a

n.m. = not meaningful

n/a = not applicable

(1) This is a non-GAAP financial measure or ratio. See section 16.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

(2) Gross margin is defined as gross profit divided by net sales.

(3) SG&A as a percentage of sales is defined as SG&A divided by net sales.

(4) Operating margin is defined as operating income divided by net sales.

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				Six months ended			
	Jul 3, 2022	Jul 4, 2021	Variation		Jul 3, 2022	Jul 4, 2021	Variation	
			\$	%			\$	%
Activewear	757.8	597.1	160.7	26.9 %	1,425.1	1,081.7	343.4	31.7 %
Hosiery and underwear ⁽¹⁾	137.8	150.0	(12.2)	(8.1)%	245.4	255.0	(9.6)	(3.8)%
Total net sales	895.6	747.1	148.5	19.9 %	1,670.5	1,336.7	333.8	25.0 %

(1) Also includes intimates and other fringe products.

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

The increase in net sales for the three and six months ended July 3, 2022, reflected strong growth in activewear partly offset by lower sales in the hosiery and underwear category. The growth in activewear sales was primarily due to higher net selling prices, which were up in the mid-teen range, reflecting base price increases and lower promotional discounting this year, as well as volume growth and favourable product mix. Higher sales volumes in activewear were driven by increased shipments in North America, particularly in the distributor channel reflecting the continued recovery of large events, travel and other end use markets. Activewear sales growth also reflected higher distributor replenishment to rebuild inventories to more optimal levels, as customer inventories were impacted by our production constraints to fully service demand last year due to the hurricanes in Central America toward the end of 2020. The increase in North American sales volumes was partly offset by lower shipments to our international markets due to ongoing demand weakness. In the hosiery and underwear category, the sales decline reflected lower unit sales volumes due to softening demand in retail, as well as the impact of the non-recurrence of stimulus payments that positively impacted demand for these categories in the prior year.

5.4.2 Gross profit and adjusted gross profit

<i>(in \$ millions, or otherwise indicated)</i>	Three months ended			Six months ended		
	Jul 3, 2022	Jul 4, 2021	Variation	Jul 3, 2022	Jul 4, 2021	Variation
Gross profit	265.0	240.8	24.2	505.4	429.3	76.1
Adjustments for:						
Impact of strategic product line initiatives ⁽¹⁾	—	—	—	(1.0)	1.2	(2.2)
Net insurance gains ⁽¹⁾	—	(12.7)	12.7	(0.3)	(19.0)	18.7
Adjusted gross profit ⁽²⁾	265.0	228.1	36.9	504.1	411.5	92.6
Gross margin	29.6 %	32.2 %	(2.6) pp	30.3 %	32.1 %	(1.8) pp
Adjusted gross margin ⁽²⁾	29.6 %	30.5 %	(0.9) pp	30.2 %	30.8 %	(0.6) pp

(1) See subsection entitled "Certain adjustments to non-GAAP measures" for additional information on adjustments in section 16.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

(2) This is a non-GAAP financial measure or ratio. 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 gross and adjusted gross profit for the first three and six months of 2022 was driven by the strong growth in net sales, partly offset by lower gross and adjusted gross margins. The decline in gross margin on a GAAP basis included the impact of the non-recurrence of net insurance gains of approximately \$13 million (or 175 basis points) for the quarter and \$19 million (or 140 basis points) on a year-to-date basis, which benefited GAAP gross margins last year. These insurance gains are excluded from the calculation of adjusted gross margin. The decrease in gross margins and adjusted gross margins on a year-to-date basis also reflected an \$18 million or 130 basis point impact of the non-recurrence of a one-time USDA payment in connection to its Pandemic Assistance for Cotton Users program recorded in the first quarter last year. Excluding these items, the change in gross margin and adjusted gross margin for the quarter reflected the impact of higher fiber costs, as well as

inflationary pressures on other manufacturing costs which more than offset the benefit of higher net selling prices and favourable product mix, while on a year-to-date basis, the benefit of higher net selling prices and favourable product mix more than offset the higher fiber and manufacturing costs.

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

	Three months ended			Six months ended		
	Jul 3, 2022	Jul 4, 2021	Variation	Jul 3, 2022	Jul 4, 2021	Variation
<i>(in \$ millions, or otherwise indicated)</i>						
SG&A expenses	88.4	79.7	8.7	168.9	153.1	15.8
SG&A expenses as a percentage of net sales	9.9 %	10.7 %	(0.8) pp	10.1 %	11.5 %	(1.4) pp

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

The increase in SG&A expenses for the three and six months ended July 3, 2022, was primarily due the impact of inflation on overall costs and higher volume-driven distribution expenses. The year-over-year 80 basis point and 140 basis point improvement in SG&A expenses as a percentage of net sales for the quarter and on a year-to-date basis, respectively, reflected the benefit of sales leverage and our SG&A cost management, which more than offset inflationary cost pressures.

5.4.4 Impairment of trade accounts receivable

For the three and six months ended July 3, 2022, the impairment of trade accounts receivable was \$1.1 million and \$1.5 million, respectively, compared to a reversal of impairment of trade accounts receivable of \$0.2 million and \$0.3 million, respectively, for the three and six months ended July 4, 2021. The impairment of trade accounts receivable for the three and six months ended July 3, 2022 is mainly related to an increase in trade accounts receivable balances. For the three and six months ended July 4, 2021, the reversal of impairment of trade accounts receivable of \$0.2 million and \$0.3 million respectively, was due to a slight decrease in expected credit loss rates.

5.4.5 Restructuring and acquisition-related costs (recovery)

	Three months ended			Six months ended		
	Jul 3, 2022	Jul 4, 2021	Variation	Jul 3, 2022	Jul 4, 2021	Variation
<i>(in \$ millions)</i>						
Employee termination and benefit costs	—	0.2	(0.2)	0.6	0.2	0.4
Exit, relocation and other costs	0.4	1.0	(0.6)	0.8	2.7	(1.9)
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	1.1	0.4	0.7	(2.7)	0.2	(2.9)
Acquisition-related transaction costs	—	—	—	0.1	—	0.1
Restructuring and acquisition-related costs (recovery)	1.5	1.6	(0.1)	(1.2)	3.1	(4.3)

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

Restructuring and acquisition-related recovery for the six months ended July 3, 2022 mainly related to a gain of \$3.4 million on the sale of a former manufacturing facility in Mexico, partly offset by \$1.1 million in accelerated depreciation of right-of-use assets and \$0.6 million in employee termination and benefit costs related to the closure of a distribution center in the U.S.

Restructuring and acquisition-related costs for the six months ended July 4, 2021 mainly related to the completion of previously initiated restructuring activities.

5.4.6 Operating income and adjusted operating income

<i>(in \$ millions, or otherwise indicated)</i>	Three months ended			Six months ended		
	Jul 3, 2022	Jul 4, 2021	Variation	Jul 3, 2022	Jul 4, 2021	Variation
Operating income	174.0	159.7	14.3	336.2	273.5	62.7
Adjustments for:						
Restructuring and acquisition-related costs (recovery) ⁽¹⁾	1.6	1.6	—	(1.2)	3.1	(4.3)
Impact of strategic product line initiatives	—	—	—	(1.0)	1.2	(2.2)
Net insurance gains ⁽¹⁾	—	(12.7)	12.7	(0.3)	(19.0)	18.7
Adjusted operating income ⁽²⁾	175.6	148.6	27.0	333.7	258.8	74.9
Operating margin	19.4 %	21.4 %	(2.0) pp	20.1 %	20.5 %	(0.4) pp
Adjusted operating margin ⁽²⁾	19.6 %	19.9 %	(0.3) pp	20.0 %	19.4 %	0.6 pp

(1) See subsection entitled "Certain adjustments to non-GAAP measures" for additional information on adjustments in section 16.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

(2) This is a non-GAAP financial measure or ratio. 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 increase in operating and adjusted operating income for the quarter and first six months of 2022 was mainly driven by the strong sales performance. The decrease in operating margins for the quarter and on a year-to-date basis was mainly due to lower gross margins, partly offset by SG&A leverage. The decrease in adjusted operating margin for the quarter was due to the lower adjusted gross margin, partly offset by SG&A leverage. On a year-to-date basis, adjusted operating margin was up as the decline in adjusted gross margin was more than offset by SG&A leverage.

5.4.7 Financial expenses, net

<i>(in \$ millions)</i>	Three months ended			Six months ended		
	Jul 3, 2022	Jul 4, 2021	Variation	Jul 3, 2022	Jul 4, 2021	Variation
Interest expense on financial liabilities recorded at amortized cost	5.0	3.4	1.6	8.7	9.8	(1.1)
Bank and other financial charges	2.1	2.0	0.1	3.9	5.3	(1.4)
Interest accretion on discounted lease obligations	0.8	0.7	0.1	1.6	1.4	0.2
Interest accretion on discounted provisions	0.1	—	0.1	0.1	0.1	—
Foreign exchange (gain) loss	(0.6)	0.3	(0.9)	—	0.8	(0.8)
Financial expenses, net	7.4	6.4	1.0	14.3	17.4	(3.1)

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

For the three months ended July 3, 2022, the increase in interest expense compared to the corresponding period last year was mainly due to higher average borrowing levels. For the six months ended July 3, 2022, the decrease in interest expense compared to the corresponding period last year was mainly due to lower average borrowing levels, as the Company fully repaid its \$400 million unsecured two-year term loan on April 20, 2021. The decrease in bank and other financial charges for the six months ended July 3, 2022 is mainly due to fees incurred last year in connection with amendments made in June 2020 to the revolving long-term bank credit facility, both term loan facilities, and the privately issued notes. Foreign exchange gains and losses in both periods relate primarily to the revaluation of net monetary assets denominated in foreign currencies.

5.4.8 Income taxes

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

<i>(in \$ millions, or otherwise indicated)</i>	Three months ended			Six months ended		
	Jul 3, 2022	Jul 4, 2021	Variation	Jul 3, 2022	Jul 4, 2021	Variation
Earnings before income taxes	166.6	153.1	13.5	321.8	256.1	65.7
Income tax expense	8.4	6.7	1.7	17.2	11.2	6.0
Average effective income tax rate	5.0 %	4.4 %	0.6 pp	5.3 %	4.4 %	0.9 pp

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

The increase in the income tax expense for the six months ended July 3, 2022, compared to the same period last year was mainly due to higher earnings, and a \$2 million tax charge related to the disposal of assets at our former manufacturing facilities in Mexico. The gain on the disposal of these assets, which was included in restructuring and acquisitions-related costs (recovery) in the first quarter, and the related \$2 million tax charge are reflected as adjustments in arriving at adjusted net earnings as noted in the table in subsection 5.4.9 of this MD&A.

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

<i>(in \$ millions, except per share amounts)</i>	Three months ended			Six months ended		
	Jul 3, 2022	Jul 4, 2021	Variation	Jul 3, 2022	Jul 4, 2021	Variation
Net earnings	158.2	146.4	11.8	304.6	245.0	59.6
Adjustments for:						
Restructuring and acquisition-related costs (recovery)	1.6	1.6	—	(1.2)	3.1	(4.3)
Impact of strategic product line initiatives	—	—	—	(1.0)	1.2	(2.2)
Net insurance gains	—	(12.7)	12.7	(0.3)	(19.0)	18.7
Income tax expense relating to the above-noted adjustments	—	—	—	2.0	—	2.0
Adjusted net earnings ⁽¹⁾	159.8	135.3	24.5	304.1	230.3	73.8
Basic EPS	0.85	0.74	0.11	1.63	1.23	0.40
Diluted EPS	0.85	0.74	0.11	1.62	1.23	0.39
Adjusted diluted EPS ⁽¹⁾	0.86	0.68	0.18	1.62	1.16	0.46

(1) This is a non-GAAP financial measure or ratio. 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 increase in net earnings and adjusted net earnings for the second quarter and first six months of 2022 compared to the same period last year was mainly due to the higher operating and adjusted operating income, which as noted earlier was mainly driven by the increase in net sales. The increase in diluted and adjusted diluted EPS for these periods also included the benefit of a lower outstanding share base due to share repurchases made under the Company's NCIB programs.

6.0 FINANCIAL CONDITION

6.1 Current assets and current liabilities

<i>(in \$ millions)</i>	Jul 3, 2022	Jan 2, 2022	Variation
Cash and cash equivalents	73.7	179.2	(105.5)
Trade accounts receivable	460.8	330.0	130.8
Inventories	971.0	774.4	196.6
Prepaid expenses, deposits and other current assets	129.1	163.7	(34.6)
Accounts payable and accrued liabilities	(504.7)	(440.4)	(64.3)
Income tax payable	(5.8)	(7.9)	2.1
Current portion of lease obligations	(14.6)	(15.3)	0.7
Total working capital⁽¹⁾	1,109.5	983.7	125.8
Current ratio⁽²⁾	3.1	3.1	n.m.

n.m. = not meaningful

(1) This is a non-GAAP financial measure or ratio. See section 16.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

(2) Current ratio is defined as current assets divided by current liabilities.

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

- The decrease in cash and cash equivalents mainly reflects share repurchases under the Company's NCIB program and the payment of dividends, partially offset by increases in amounts drawn under our revolving long-term bank credit facilities and the free cash flow generated during the first half of fiscal 2022.
- The increase in trade accounts receivable (which are net of accrued sales discounts) was mainly due to the impact of higher sales in the second quarter of fiscal 2022 compared to the fourth quarter of fiscal 2021, and a seasonally lower offset for accruals for sales discounts compared to the end of fiscal 2021 mainly relating to the payout of annual rebate programs subsequent to the end of fiscal 2021.
- The increase in inventories was mainly due to higher unit costs (due to higher fiber costs and inflationary pressure on other materials, freight and conversion costs), and increases in activewear and hosiery unit volumes, as well as an increase in work-in-progress volumes to support planned increases in production.
- Prepaid expenses, deposits and other current assets are lower mainly due to a decrease in derivative financial instrument assets which reflected the maturity of commodity forward swap contracts that were designated as hedges for the Company's cotton purchases for fiscal 2022.
- The increase in accounts payable and accrued liabilities is mainly the result of a seasonal increase due to the impact of the holiday period manufacturing downtime at the end of the fourth quarter of fiscal 2021, as well as higher raw material costs and inflationary impacts on other purchased goods and services.
- Working capital was \$1,110 million as at July 3, 2022, compared to \$984 million as at January 2, 2022. The current ratio at the end of the second quarter of fiscal 2022 of 3.1 is comparable to the current ratio at the end of fiscal 2021.

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, January 2, 2022	985.1	92.4	306.6	283.8
Additions	98.7	6.4	3.3	—
Depreciation and amortization	(51.3)	(8.2)	(9.7)	—
Net carrying amounts of disposals	(2.8)	—	(0.1)	—
Balance, July 3, 2022	1,029.7	90.6	300.1	283.8

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

- Additions in property, plant and equipment are mainly due to expenditures related to the expansion of textile and sewing manufacturing operations.
- The decrease in right-of-use assets mainly reflects the impact of depreciation, partially offset by manufacturing and distribution facility lease renewals entered into during the first half of fiscal 2022.
- Intangible assets are comprised of customer contracts and relationships, trademarks, license agreements, non-compete agreements, and computer software. The decrease in intangible assets mainly reflects the amortization of \$10 million.

6.3 Other non-current assets and non-current liabilities

<i>(in \$ millions)</i>	Jul 3, 2022	Jan 2, 2022	Variation
Deferred income tax assets	13.7	17.7	(4.0)
Other non-current assets	2.7	3.8	(1.1)
Long-term debt	(815.0)	(600.0)	(215.0)
Lease obligations	(92.0)	(93.8)	1.8
Other non-current liabilities	(60.0)	(59.9)	(0.1)

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 decrease in lease obligations mainly reflects the payments made during the fiscal year, partially offset by the impact of manufacturing and distribution facility lease renewals entered into during the six months ended July 3, 2022.
- Other non-current liabilities include provisions and employee benefit obligations.

7.0 CASH FLOWS

7.1 Cash flows from (used in) operating activities

<i>(in \$ millions)</i>	Three months ended			Six months ended		
	Jul 3, 2022	Jul 4, 2021	Variation	Jul 3, 2022	Jul 4, 2021	Variation
Net earnings	158.2	146.4	11.8	304.6	245.0	59.6
Adjustments for:						
Depreciation and amortization	32.3	35.9	(3.6)	65.7	71.5	(5.8)
Non-cash restructuring costs (gains) related to property, plant and equipment, right-of-use assets, and computer software	1.1	0.4	0.7	(2.7)	0.2	(2.9)
Timing differences between settlement of financial derivatives and transfer of deferred gains and losses in accumulated OCI to inventory and net earnings	36.4	(3.9)	40.3	37.7	(7.8)	45.5
Insurance recovery gain, net of loss on disposal of property, plant and equipment	(3.8)	(12.7)	8.9	(6.2)	(20.3)	14.1
Share-based compensation	8.3	8.7	(0.4)	15.7	16.5	(0.8)
Other	1.5	4.0	(2.5)	4.1	(1.8)	5.9
Changes in non-cash working capital balances	(24.3)	21.5	(45.8)	(260.6)	(82.2)	(178.4)
Cash flows from operating activities	209.7	200.3	9.4	158.3	221.1	(62.8)

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

- Cash flows from operating activities were \$158 million for the six months ended July 3, 2022, compared to cash flows from operating activities of \$221 million in the corresponding period last year. The change was mainly due to the impact of a higher increase in non-cash working capital, as explained below, partially offset by higher net earnings.
- Non-cash working capital increased by \$261 million during the six months ended July 3, 2022, compared to an increase of \$82 million during the six months ended July 4, 2021, mainly due to a higher increase in inventories.

7.2 Cash flows from (used in) investing activities

<i>(in \$ millions)</i>	Three months ended			Six months ended		
	Jul 3, 2022	Jul 4, 2021	Variation	Jul 3, 2022	Jul 4, 2021	Variation
Purchase of property, plant and equipment	(49.0)	(29.3)	(19.7)	(81.1)	(42.0)	(39.1)
Purchase of intangible assets	(1.2)	(0.9)	(0.3)	(3.1)	(1.2)	(1.9)
Proceeds from insurance related to property, plant and equipment (PP&E) and other disposals of PP&E	(0.1)	38.2	(38.3)	(0.1)	68.2	(68.3)
Cash flows (used in) from investing activities	(50.3)	8.0	(58.3)	(84.3)	25.0	(109.3)

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

- Cash flows used in investing activities were \$84 million for the six months ended July 3, 2022, compared to cash flows from investing activities of \$25 million in the corresponding period last year. The change was mainly due to higher capital expenditures, and insurance proceeds received in the first half of 2021 relating to property, plant and equipment damaged from the 2020 hurricanes in Central America.
- Capital expenditures² for the six months ended July 3, 2022 are described in section 6.2 of this MD&A entitled "Property, plant and equipment, right-of-use assets, intangible assets, and goodwill".

7.3 Free cash flow

<i>(in \$ millions)</i>	Three months ended			Six months ended		
	Jul 3, 2022	Jul 4, 2021	Variation	Jul 3, 2022	Jul 4, 2021	Variation
Cash flows from operating activities	209.7	200.3	9.4	158.3	220.9	(62.6)
Cash flows (used in) from investing activities	(50.3)	8.0	(58.3)	(84.3)	25.0	(109.3)
Adjustment for:						
Business acquisitions	—	—	—	—	—	—
Free cash flow ⁽¹⁾	159.4	208.3	(48.9)	74.0	245.9	(171.9)

(1) This is a non-GAAP financial measure or ratio. 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 decrease in free cash flow of \$172 million for the six months ended July 3, 2022 was mainly due to the lower operating cash flows of \$63 million, as well as higher capital expenditures compared to the same period last year, and the non-recurrence of the insurance proceeds which were received in the first six months of 2021.

² Capital expenditures include purchases of property, plant & equipment and intangible assets.

7.4 Cash flows from (used in) financing activities

<i>(in \$ millions)</i>	Three months ended			Six months ended		
	Jul 3, 2022	Jul 4, 2021	Variation	Jul 3, 2022	Jul 4, 2021	Variation
(Decrease) Increase in amounts drawn under revolving long-term bank credit facility	(30.0)	—	(30.0)	215.0	—	215.0
Payment of term loan	—	(400.0)	400.0	—	(400.0)	400.0
Payment of lease obligations	(4.5)	(4.0)	(0.5)	(9.1)	(9.0)	(0.1)
Dividends paid	(62.6)	(30.3)	(32.3)	(62.6)	(30.3)	(32.3)
Proceeds from the issuance of shares	0.4	2.4	(2.0)	1.7	2.7	(1.0)
Repurchase and cancellation of shares	(109.5)	—	(109.5)	(314.2)	—	(314.2)
Share repurchases for settlement of non-Treasury RSUs	—	—	—	(5.7)	(1.8)	(3.9)
Withholding taxes paid pursuant to the settlement of non-Treasury RSUs	—	(1.6)	1.6	(4.1)	(1.6)	(2.5)
Cash flows used in financing activities	(206.2)	(433.5)	227.3	(179.0)	(440.0)	261.0

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

- Cash flows used in financing activities for the six months ended July 3, 2022 mainly reflected the repurchase and cancellation of common shares under NCIB programs as discussed in section 8.7 of this MD&A, the payment of dividends, partially offset by cash inflows of \$215 million from funds drawn on our long-term bank credit facilities. For the six months ended July 4, 2021, cash flows used in financing activities mainly reflected the repayment of \$400 million for the Company's unsecured two-year term loan, the payment of dividends and payments made during the period on lease obligations. See section 8.0 of this MD&A entitled "Liquidity and capital resources" for the discussion on long-term debt.

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 the payment of dividends and share repurchases, which we have funded 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 is to fund our organic growth with the required capital investments. Beyond these requirements, our next priorities for capital allocation are to support our dividends and for opportunistic complementary acquisitions with a preference towards opportunities that could enhance our supply chain model. In addition, 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 ratio³ of one to two times pro-forma adjusted EBITDA for the trailing twelve months, which we believe will provide an efficient capital structure and a framework within which we can execute on our capital allocation priorities. We expect that cash flows from operating activities and the unutilized financing capacity under our long-term debt facilities will continue to provide us with sufficient liquidity to fund our organic growth strategy, including anticipated working capital and projected capital expenditures averaging 6% to 8% of annual sales, as well as our annual dividend policy and continued share repurchases in line with our leverage framework and value considerations. Refer to note 26 of the audited annual consolidated financial statements for the year ended January 2, 2022 for a discussion on the Company's liquidity risk.

³ This is a non-GAAP financial measure or ratio. See section 16.0 "Definition and reconciliation of non-GAAP financial measures" in this MD&A.

8.2 Long-term debt and net debt

The Company's long-term debt as at July 3, 2022 is described below:

<i>(in \$ millions, or otherwise indicated)</i>	Effective interest rate ⁽¹⁾	Principal amount		Maturity date
		Jul 3, 2022	Jan 2, 2022	
Revolving long-term bank credit facility, interest at variable U.S. interest rate ⁽²⁾⁽³⁾	1.7%	215.0	—	March 2027
Term loan, interest at variable U.S. interest rate, payable monthly ⁽²⁾⁽⁴⁾	2.3%	300.0	300.0	June 2026
Notes payable, interest at fixed rate of 2.70%, payable semi-annually ⁽⁵⁾	2.7%	100.0	100.0	August 2023
Notes payable, interest at Adjusted LIBOR plus a spread of 1.53%, payable quarterly ⁽⁵⁾	2.7%	50.0	50.0	August 2023
Notes payable, interest at fixed rate of 2.91%, payable semi-annually ⁽⁵⁾	2.9%	100.0	100.0	August 2026
Notes payable, interest at Adjusted LIBOR plus a spread of 1.57%, payable quarterly ⁽⁵⁾	2.9%	50.0	50.0	August 2026
		815.0	600.0	

- (1) Represents the annualized effective interest rate for the six months ended July 3, 2022, including the cash impact of interest rate swaps, where applicable.
- (2) SOFR advances at Adjusted Term SOFR (includes a 0% to 0.25% reference rate adjustment) plus a spread ranging from 1% to 3%.
- (3) The Company's committed 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 Adjusted Term SOFR 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 \$41.2 million (January 2, 2022 - \$51.1 million) has been committed against this facility to cover various letters of credit.
- (4) The unsecured term loan is non-revolving and can be prepaid in whole or in part at any time with no penalties. The spread added to the Adjusted Term SOFR is a function of the total net debt to EBITDA ratio (as defined in the term loan agreements and their amendments).
- (5) 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.

On April 20, 2021, the Company fully repaid its \$400 million unsecured two-year term loan which was due on April 6, 2022. In June 2021, the Company amended its unsecured term loan of \$300 million to extend the maturity date from April 2025 to June 2026.

On March 25, 2022, the Company amended and extended its unsecured revolving long-term bank credit facility of \$1 billion to March 2027. As part of the amendment, LIBOR references were replaced with Term Secured Overnight Financing Rate ("Term SOFR") and the revolving facility includes a sustainability-linked loan ("SLL") structure, whereby its applicable margins are adjusted upon achievement of certain sustainability targets, commencing in 2023. Revolving facility advances made prior to these amendments continue to apply LIBOR rates until the end of their term.

On March 25, 2022, the Company amended its \$300 million term loan to replace LIBOR references by Term SOFR references.

On June 30, 2022, the Company amended its notes purchase agreement to include LIBOR fallback provisions to replace LIBOR with adjusted term SOFR, adjusted daily simple SOFR or any relevant alternate rate selected by the note holders and the Company upon a benchmark transition event or early opt-in election.

The Company applied the IFRS 9 interest rate benchmark reform practical expedient for amendments required by the interest rate reform to the revolving-long term bank credit facility, term loan and related interest rate swap agreements.

The Company was in compliance with all financial covenants at July 3, 2022 and expects to maintain compliance with its covenants over the next twelve months, based on its current expectations and forecasts.

<i>(in \$ millions)</i>	Jul 3, 2022	Jan 2, 2022
Long-term debt	815.0	600.0
Bank indebtedness	—	—
Lease obligations	106.6	109.1
Total debt ⁽¹⁾	921.6	709.1
Cash and cash equivalents	(73.7)	(179.2)
Net debt ⁽¹⁾	847.9	529.9

(1) This is a non-GAAP financial measure or ratio. 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 July 3, 2022 was 1.1 times (0.7 times at January 2, 2022). The Company's net debt leverage ratio is calculated as follows:

<i>(in \$ millions, or otherwise indicated)</i>	Jul 3, 2022	Jan 2, 2022
Adjusted EBITDA for the trailing twelve months ⁽¹⁾	796.1	726.8
Adjustment for:		
Business acquisitions	2.0	22.8
Pro-forma adjusted EBITDA for the trailing twelve months	798.1	749.6
Net debt ⁽¹⁾	847.9	529.9
Net debt leverage ratio ⁽¹⁾⁽²⁾	1.1	0.7

(1) This is a non-GAAP financial measure or ratio. 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 1.2 at July 3, 2022.

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

The total net debt to EBITDA ratios (as defined in the credit facility agreement and its amendments) vary from the definition of the Company's non-GAAP ratio and non-GAAP financial measures "net debt leverage ratio" and "adjusted EBITDA" respectively, as presented in this MD&A in certain 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, our total net debt to EBITDA ratio for purposes of our loan and note agreements was 1.2 at the end of the second quarter of fiscal 2022.

The Company, upon approval from its Board of Directors, may issue or repay long-term debt, issue or repurchase shares, or undertake other activities as deemed appropriate under the specific circumstances.

8.3 Off-balance sheet arrangements and maturity analysis of contractual obligations

In the normal course of business, we enter into contractual obligations that will require us to disburse cash over future periods. The following table sets forth the maturity of our contractual obligations by period as at July 3, 2022.

<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	504.7	504.7	504.7	—	—	—
Long-term debt	815.0	815.0	—	150.0	665.0	—
Interest obligations ⁽¹⁾	—	78.8	20.9	35.2	22.7	—
Purchase and other obligations ⁽²⁾	—	673.8	572.1	90.0	9.7	2.0
Lease obligations	106.6	129.9	19.7	29.7	25.0	55.5
Total contractual obligations	1,426.3	2,202.2	1,117.4	304.9	722.4	57.5

(1) Interest obligations include expected interest payments on long-term debt as at July 3, 2022 (assuming balances remain outstanding through to maturity). For variable rate debt, the Company has applied the rate applicable at July 3, 2022 to the currently established maturity dates.

(2) Purchase and other obligations includes commitments to purchase raw materials and equipment, as well as minimum royalty obligations and other contractual commitments.

As disclosed in note 24 to our fiscal 2021 audited annual 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 our subsidiaries do not perform their contractual obligations. As at July 3, 2022, the maximum potential liability under these guarantees was \$181 million, of which \$17 million was for surety bonds and \$164 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 July 3, 2022, 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 and 10 to the unaudited condensed interim consolidated financial statements as at and for the three and six months ended July 3, 2022.

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 July 29, 2022, there were 182,746,744 common shares issued and outstanding along with 3,181,527 stock options and 49,702 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

On August 3, 2022, the Board of Directors declared cash dividend of \$0.169 per share for an expected aggregate payment of \$31 million which will be paid on September 19, 2022 on all of the issued and outstanding common shares of the Company, rateably and proportionately, to the holders of record on August 25, 2022. This dividend is an "eligible dividend" for the purposes of the Income Tax Act (Canada) and any other applicable provincial legislation pertaining to eligible dividends.

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. The Company's dividend payout policy and the declaration of dividends are subject to the discretion of the Board of Directors and, consequently, there can be no assurances that Gildan's dividend policy will be maintained or that dividends will be declared in respect of any quarter or other future periods. The declaration of dividends by the Board of Directors is ultimately dependent on the Company's operations and financial results which are, in turn, subject to various assumptions and risks, including those set out in this MD&A.

8.7 Normal course issuer bid (NCIB)

On August 4, 2021, the Company received Board and Toronto Stock Exchange (TSX) approval for the reinstatement of its normal course issuer bid to purchase for cancellation a maximum of 9,926,177 common shares, representing 5% of the Company's issued and outstanding common shares, as at July 31, 2021 (the reference date for the NCIB). The Company was authorized to make purchases under the normal course issuer bid during the period from August 9, 2021 to August 8, 2022 in accordance with the requirements of the TSX. Purchases could be made by means of open market transactions on both the TSX and the New York Stock Exchange ("NYSE"), or alternative trading systems, if eligible, or by such other means as may be permitted by securities regulatory authorities, including pre-arranged crosses, exempt offers, private agreements under an issuer bid exemption order issued by securities regulatory authorities, and block purchases of common shares.

On February 22, 2022, the Company received approval from the TSX to amend its NCIB, which commenced on August 9, 2021, in order to increase the maximum number of common shares that may be repurchased from 9,926,177, or 5% of the Company's issued and outstanding common shares as at July 31, 2021 (the reference date for the NCIB), to 19,477,744 common shares, representing 10% of the public float as at July 31, 2021. No other terms of the NCIB have been amended.

The Company received approval from the TSX to renew its NCIB program commencing on August 9, 2022, to purchase for cancellation a maximum of 9,132,337 common shares, representing 5% of the Company's issued and outstanding common shares, as at July 31, 2022 (the reference date for the NCIB). The Company is authorized to make purchases under the NCIB until August 8, 2023 in accordance with the requirements of the TSX. Purchases will be made by means of open market transactions on both the TSX and the New York Stock Exchange (NYSE), or alternative trading systems, if eligible, or by such other means as may be permitted by securities regulatory authorities, including pre-arranged crosses, exempt offers, private agreements under an issuer bid exemption order issued by securities regulatory authorities and block purchases of common shares. The average daily trading volume of common shares on the TSX (ADTV) for the six-month period ended July 31, 2022 was 583,078. Consequently, and in accordance with the requirements of the TSX, the Company may purchase, in addition to purchases made on other exchanges including the NYSE, up to a maximum of 145,769 common shares daily through the facilities of the TSX, which represents 25% of the ADTV for the most recently completed six calendar months.

During the six months ended July 3, 2022, the Company repurchased for cancellation a total of 8,696,866 common shares under its NCIB program for a total cost of \$312 million, of which \$9 million was charged to share capital and the balance was charged to retained earnings.

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

References related to management's expectations may be found in the Company's earnings press release dated February 23, 2022 under "Gildan Sustainable Growth Strategy", as well as the Company's press releases of May 4 and August 4, 2022 under the sections entitled "Current Market Environment" and "Outlook," respectively. The press

releases are available on the SEDAR website at www.sedar.com, on the EDGAR website at www.sec.gov, and on the Company's corporate 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 note 26 of the audited annual consolidated financial statements for the year ended January 2, 2022 for additional details, and for more information about our derivative financial instruments, please refer to notes 9 and 10 to the unaudited condensed interim consolidated financial statements as at and for the three and six months ended July 3, 2022.

12.0 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Our significant accounting policies are described in note 3 to our fiscal 2021 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 cash-generating units (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
- Business combinations
- 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 2021 audited consolidated financial statements.

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 six months ended July 3, 2022 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 six months ended July 3, 2022 as those disclosed in note 3 of its most recent audited annual 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. These amendments are subject to future developments. Certain application issues resulting from the 2020 amendments were raised with the Board, which resulted in the Board publishing exposure draft ED/2021/9 Non-current Liabilities with Covenants in November 2021. Further amendments to IAS 1 are proposed as well as a deferral of the effective date of the 2020 amendments to no earlier than January 1, 2024. The exposure draft was open for comment until March 21, 2022. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policy Information

In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose “significant” accounting policies under IAS 1 with a requirement to disclose “material” accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements.
- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments shall be applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once an entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

Amendments to IAS 8, Definition of Accounting Estimates

In February 2021, the IASB amended IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition of “accounting estimates” to replace the definition of “change in accounting estimates” and also include clarifications intended to help entities distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

On May 7, 2021, the IASB amended IAS 12 Income Taxes, to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

14.0 INTERNAL CONTROL OVER FINANCIAL REPORTING

Changes in internal controls and procedures

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on April 4, 2022 and ended on July 3, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitation on scope of design

The scope of design of internal controls over financial reporting and disclosure controls and procedures excluded the controls, policies, and procedures of Frontier Yarns Inc ("Frontier Yarns"), which was acquired on December 10, 2021. Frontier Yarns accounted for approximately \$59 million of current assets, \$68 million of non-current assets, \$45 million of current liabilities and \$2 million of non-current liabilities, in the Company's interim consolidated statement of financial position as at July 3, 2022, which exclude right of use assets of \$42 million, goodwill from the acquisition of \$77 million and non-current liabilities of \$42 million related to long term lease obligations.

15.0 RISK AND UNCERTAINTIES

In note 26 of our 2021 audited annual consolidated financial statements we describe certain risks related to financial instruments and in our 2021 annual MD&A under the section "Risk 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 2021 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, pandemics, and endemics 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 breaches or data privacy violations
- We depend on key management and our ability to attract and/or retain key personnel

16.0 DEFINITION AND RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

We use non-GAAP financial measures, as well as non-GAAP ratios, 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 financial measures are presented on a consistent basis for all periods presented in this MD&A. These 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 or as a substitute for measures of performance prepared in accordance with IFRS.

Non-GAAP financial measures and related ratios

In this MD&A we use non-GAAP financial measures including adjusted net earnings, adjusted operating income, adjusted gross profit, adjusted EBITDA, as well as non-GAAP ratios including adjusted diluted EPS, adjusted operating margin, and adjusted gross margin. These financial metrics are used 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 performance and financial condition. Excluding these items does not imply they are necessarily non-recurring. We also use other non-GAAP financial measures including free cash flow, total debt, net debt, net debt leverage ratio and working capital.

Certain adjustments to non-GAAP measures

As noted above certain of our non-GAAP financial measures and ratios exclude the variation caused by certain adjustments that affect the comparability of the Company's financial results and could potentially distort the analysis of trends in its business performance. Adjustments which impact more than one non-GAAP financial measure and ratio are explained below:

Restructuring and acquisition-related costs (recovery)

Restructuring and acquisition-related costs are comprised of costs directly related to significant exit activities, including the closure of business locations or the relocation of business activities, significant changes in management structure, as well as transaction, exit, and integration costs incurred pursuant to business acquisitions. Restructuring and acquisition-related costs is included as an adjustment in arriving at adjusted operating income, adjusted operating margin, adjusted net earnings, adjusted diluted EPS, and adjusted EBITDA. For the three and six months ended July 3, 2022 restructuring and acquisition-related costs were \$1.6 million and a recovery of \$1.2 million (2021 - \$1.6 million and \$3.1 million in costs). Subsection 5.4.5 entitled "Restructuring and acquisition-related costs (recovery)" in this MD&A contains a detailed discussion of these costs and recoveries.

Net insurance gains

For the three and six months ended July 3, 2022, net insurance gains of nil and \$0.3 million (2021 - \$12.7 million and \$18.9 million), related to the two hurricanes which impacted the Company's operations in Central America in November 2020. The net insurance gains reflected costs of \$3.6 million and \$8.0 million (2021 - \$15.4 million and \$39.7 million) (mainly attributable to equipment repairs, salary and benefits continuation for idle employees, and other costs and charges), which were more than offset by related accrued insurance recoveries of \$3.6 million and \$8.3 million (2021 - \$28.1 million and \$58.6 million) during the three and six months ended July 3, 2022. The insurance gains primarily relate to accrued insurance recoveries at replacement cost value for damaged equipment in excess of the write-off of the net book value of property plant and equipment, as well as the recognition of insurance recoveries for business interruption, when applicable. Net insurance gains are included as an adjustment in arriving at adjusted gross profit and adjusted gross margin, adjusted operating income, adjusted operating margin, adjusted net earnings, adjusted diluted EPS, and adjusted EBITDA.

Impact of strategic product line initiatives

In the fourth quarter of fiscal 2019, the Company launched a strategic initiative to significantly reduce its imprintables product line SKU count. In the fourth quarter of fiscal 2020 the Company expanded this strategic initiative to include a significant reduction in its retail product line SKU count. The objectives of this strategic initiative include exiting all ship to-the-piece activities, discontinuing overlapping and less productive styles and SKUs between brands, simplifying the Company's product portfolio and reducing complexity in its manufacturing and warehouse distribution activities. The impact of this initiative has included inventory write-downs to reduce the carrying value of discontinued SKUs to liquidation values, sales return allowances for product returns related to discontinued SKUs, and in Q4 2021, the write-down of production equipment and other assets relating to discontinued SKUs. The impact of strategic product line initiatives is included as an adjustment in arriving at adjusted gross profit and adjusted gross margin, adjusted operating income, adjusted operating margin, adjusted net earnings, adjusted diluted EPS, and adjusted EBITDA.

The gains and charges related to this initiative were as follows:

- For the three and six months ended July 3, 2022, nil and \$1.0 million of recoveries included in cost of sales.
- For the three and six months ended July 4, 2021, nil and \$1.2 million of charges included in cost of sales.

Adjusted net earnings and adjusted diluted EPS

Adjusted net earnings are calculated as net earnings before restructuring and acquisition-related costs, impairment of goodwill and intangible assets (and reversal of impairments on intangible assets), net insurance gains, the discontinuance of PPE SKUs, the impact of the Company's strategic product line initiatives, and income tax expense or recovery relating to these items. Adjusted net earnings also excludes 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. 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 net earnings performance from one period to the next, and in making decisions regarding the ongoing operations of its business, without the variation caused by the impacts of the items described above. The Company excludes these items because they affect the comparability of its net earnings and diluted EPS and could potentially distort the analysis of net earnings trends in its business performance. The Company believes adjusted net earnings and adjusted diluted EPS are useful to investors because they help identify underlying trends in our business that could otherwise be masked by certain expenses, write-offs, charges, income or recoveries that can vary from period to period. Excluding these items does not imply they are necessarily non-recurring. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

	Three months ended		Six months ended	
	Jul 3, 2022	Jul 4, 2021	Jul 3, 2022	Jul 4, 2021
<i>(in \$ millions, except per share amounts)</i>				
Net earnings	158.2	146.4	304.6	245.0
Adjustments for:				
Restructuring and acquisition-related costs (recovery)	1.6	1.6	(1.2)	3.1
Impact of strategic product line initiatives	—	—	(1.0)	1.2
Net insurance gains	—	(12.7)	(0.3)	(19.0)
Income tax expense relating to the above-noted adjustments	—	—	2.0	—
Adjusted net earnings	159.8	135.3	304.1	230.3
Basic EPS	0.85	0.74	1.63	1.23
Diluted EPS	0.85	0.74	1.62	1.23
Adjusted diluted EPS ⁽¹⁾	0.86	0.68	1.62	1.16

(1) This is a non-GAAP ratio. It is calculated as adjusted net earnings divided by the diluted weighted average number of common shares outstanding.

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 net insurance gains, the discontinuance of PPE SKUs, and the impact of the Company's strategic product line initiatives. The Company uses adjusted gross profit and adjusted gross margin to measure its performance at the gross margin level 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. The Company believes adjusted gross profit and adjusted gross margin are useful to management and investors because they help identify underlying trends in our business in how efficiently the Company uses labor and materials for manufacturing goods to our customers, that could otherwise be masked by the impact of our strategic product line initiatives and net insurance gains that can vary from period to period. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

	Three months ended		Six months ended	
	Jul 3, 2022	Jul 4, 2021	Jul 3, 2022	Jul 4, 2021
<i>(in \$ millions, or otherwise indicated)</i>				
Gross profit	265.0	240.8	505.4	429.3
Adjustments for:				
Impact of strategic product line initiatives	—	—	(1.0)	1.2
Net insurance gains	—	(12.7)	(0.3)	(19.0)
Adjusted gross profit	265.0	228.1	504.1	411.5
Gross margin	29.6 %	32.2 %	30.3 %	32.1 %
Adjusted gross margin ⁽¹⁾	29.6 %	30.5 %	30.2 %	30.8 %

(1) This is a non-GAAP ratio. It is calculated as adjusted gross profit divided by net sales excluding the sales return allowance for anticipated product returns related to discontinued SKUs. Net sales excluding the sales return allowance for anticipated product returns related to discontinued SKUs is a non-GAAP measure used in the denominator of the adjusted margin ratios to reverse the full effect of the SKU rationalization adjustments. The sales return allowance was nil for both periods.

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. Adjusted operating income also excludes impairment of goodwill and intangible assets, net insurance gains, the discontinuance of PPE SKUs, and the impact of the Company's strategic product line initiatives. 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 at the operating income level as we believe it provides a better indication of our operating performance and facilitates the comparison across reporting periods, 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 operating income and operating margin performance. The Company believes adjusted operating income and adjusted operating margin are useful to investors because they help identify underlying trends in our business in how efficiently the Company generates profit from its primary operations that could otherwise be masked by the impact of restructuring and acquisition-related costs, our strategic product line initiatives and net insurance gains that can vary from period to period. Excluding these items does not imply they are necessarily non-recurring. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

	Three months ended		Six months ended	
	Jul 3, 2022	Jul 4, 2021	Jul 3, 2022	Jul 4, 2021
<i>(in \$ millions, or otherwise indicated)</i>				
Operating income	174.0	159.7	336.2	273.5
Adjustments for:				
Restructuring and acquisition-related costs (recovery)	1.6	1.6	(1.2)	3.1
Impact of strategic product line initiatives	—	—	(1.0)	1.2
Net insurance gains	—	(12.7)	(0.3)	(19.0)
Adjusted operating income	175.6	148.6	333.7	258.8
Operating margin	19.4 %	21.4 %	20.1 %	20.5 %
Adjusted operating margin ⁽¹⁾	19.6 %	19.9 %	20.0 %	19.4 %

(1) This is a non-GAAP ratio. It is calculated as adjusted operating income divided by net sales excluding the sales return allowance for anticipated product returns related to discontinued SKUs. Net sales excluding the sales return allowance for anticipated product returns related to discontinued SKUs is a non-GAAP measure used in the denominator of the adjusted margin ratios to reverse the full effect of the SKU rationalization adjustments. The sales return allowance was nil for both periods. 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 net, income taxes, and depreciation and amortization, and excludes the impact of restructuring and acquisition-related costs. Adjusted EBITDA also excludes impairment of goodwill and intangible assets and reversal of impairments on intangible assets, net insurance gains, the discontinuance of PPE SKUs, and the impact of the Company's strategic product line initiative. Management uses adjusted EBITDA, among other measures, to facilitate a comparison of the profitability of its business on a consistent basis from period-to-period and to provide a more complete understanding of factors and trends affecting our business. The Company also believes this measure is commonly used by investors and analysts to assess profitability and the cost structure of companies within the industry, as well as 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. This measure does not have any standardized meanings prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies.

	Three months ended		Six months ended	
	Jul 3, 2022	Jul 4, 2021	Jul 3, 2022	Jul 4, 2021
<i>(in \$ millions)</i>				
Net earnings	158.2	146.4	304.6	245.0
Restructuring and acquisition-related costs (recovery)	1.6	1.6	(1.2)	3.1
Impact of strategic product line initiatives	—	—	(1.0)	1.2
Net insurance gains	—	(12.7)	(0.3)	(19.0)
Depreciation and amortization	32.3	35.9	65.7	71.5
Financial expenses, net	7.4	6.5	14.4	17.3
Income tax expense	8.4	6.7	17.2	11.1
Adjusted EBITDA	207.9	184.4	399.4	330.2

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 used by management in managing capital as it indicates how much cash is available after capital expenditures to repay debt, to pursue business acquisitions, and/or to redistribute to its shareholders. Management believes that free cash flow also provides investors with an important perspective on the cash available to us to service debt, fund acquisitions, and pay dividends. In addition, free cash flow is commonly used by investors and analysts when valuing a business and its underlying assets. This measure does not have any standardized meanings prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies.

<i>(in \$ millions)</i>	Three months ended		Six months ended	
	Jul 3, 2022	Jul 4, 2021	Jul 3, 2022	Jul 4, 2021
Cash flows from operating activities	209.7	200.3	158.3	220.9
Cash flows (used in) from investing activities	(50.3)	8.0	(84.3)	25.0
Adjustment for:				
Business acquisitions	—	—	—	—
Free cash flow	159.4	208.3	74.0	245.9

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

Total debt and net debt

Total debt is defined as the total bank indebtedness, long-term debt (including any current portion), and lease obligations (including any current portion), and net debt is calculated as total debt net of cash and cash equivalents. The Company considers total debt and net debt to be important indicators for management and investors to assess the financial position and liquidity of the Company, and measure its financial leverage. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

<i>(in \$ millions)</i>	Jul 3, 2022	Jan 2, 2022
Long-term debt	815.0	600.0
Bank indebtedness	—	—
Lease obligations	106.6	109.1
Total debt	921.6	709.1
Cash and cash equivalents	(73.7)	(179.2)
Net debt	847.9	529.9

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 debt to pro-forma adjusted EBITDA for the trailing twelve months, all of which are non-GAAP measures. 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 net debt leverage target ratio of one to two times pro-forma adjusted EBITDA for the trailing twelve months. The net debt leverage ratio serves to evaluate the Company's financial leverage and is used by management in its decisions on the Company's capital structure, including financing strategy. The Company believes that certain investors and analysts use the net debt leverage ratio to measure the financial leverage of the Company, including our ability to pay off our incurred debt. The Company's net debt leverage ratio differs from the net debt to EBITDA ratio that is a covenant in our loan and note agreements due primarily to adjustments in the latter related to lease accounting, and therefore the Company believes it is a useful additional measure. This measure does not have any standardized meanings prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies.

<i>(in \$ millions, or otherwise indicated)</i>	Jul 3, 2022	Jan 2, 2022
Adjusted EBITDA for the trailing twelve months	796.1	726.8
Adjustment for:		
Business acquisitions	2.0	22.8
Pro-forma adjusted EBITDA for the trailing twelve months	798.1	749.6
Net debt	847.9	529.9
Net debt leverage ratio ⁽¹⁾	1.1	0.7

(1) The Company's total net debt to EBITDA ratio for purposes of its loan and note agreements was 1.2 at July 3, 2022. 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.

Working capital

Working capital is a non-GAAP financial measure and is defined as current assets less current liabilities. Management believes that working capital, in addition to other conventional financial measures prepared in accordance with IFRS, provides information that is helpful to understand the financial condition of the Company. The objective of using working capital is to present readers with a view of the Company from management's perspective by interpreting the material trends and activities that affect the short-term liquidity and financial position of the Company, including its ability to discharge its short-term liabilities as they come due. This measure is not necessarily comparable to similarly titled measures used by other public companies.

<i>(in \$ millions)</i>	Jul 3, 2022	Jan 2, 2022
Cash and cash equivalents	73.7	179.2
Trade accounts receivable	460.8	330.0
Inventories	971.0	774.4
Prepaid expenses, deposits and other current assets	129.1	163.7
Accounts payable and accrued liabilities	(504.7)	(440.4)
Income taxes payable	(5.8)	(7.9)
Current portion of lease obligations	(14.6)	(15.3)
Working capital	1,109.5	983.7

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