UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 29, 2008

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 001-32891

Hanesbrands Inc.
(Exact name of registrant as specified in its charter)

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

(336) 519-4400
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

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

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

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

As of May 1, 2008, there were 94,066,944 shares of the registrant's common stock outstanding.

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Trademarks, Trade Names and Service Marks

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own or have rights to use that appear in this Quarterly Report on Form 10-Q include the *Hanes*, *Champion*, *Playtex*, *Bali*, *Just My Size*, *barely there*, *Wonderbra*, *C9 by Champion*, *L'eggs*, *Outer Banks* and *Stedman* marks, which may be registered in the United States and other jurisdictions. We do not own any trademark, trade name or service mark of any other company appearing in this Quarterly Report on Form 10-Q.

FORWARD-LOOKING STATEMENTS

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

Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is based on the current plans and expectations of our management and expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. More information on factors that could cause actual results or events to differ materially from those anticipated is included from time to time in our reports filed with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 29, 2007.

All forward-looking statements contained in this Quarterly Report on Form 10-Q speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q or our Annual Report on Form 10-K for the year ended December 29, 2007. We undertake no obligation to update or revise forward-looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events, other than as required by law.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You can inspect, read and copy these reports, proxy statements and other information at the public reference facilities the SEC maintains at 100 F Street, N.E., Washington, D.C. 20549.

We make available free of charge at www.hanesbrands.com (in the "Investors" section) copies of materials we file with, or furnish to, the SEC. You can also obtain copies of these materials at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information on the operation of the public reference facilities by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Web site at www.sec.gov that makes available reports, proxy statements and other information regarding issuers that file electronically with it. By referring to our Web site, www.hanesbrands.com, we do not incorporate our Web site or its contents into this Quarterly Report on Form 10-Q.

PART I

Item 1. ***Financial Statements***

HANESBRANDS

Condensed Consolidated Statements of Income
(in thousands, except per share amounts)
(unaudited)

	Quarter Ended	
	March 29, 2008	March 31, 2007
Net sales	$ 987,847	$ 1,039,894
Cost of sales	642,883	700,215
Gross profit	344,964	339,679
Selling, general and administrative expenses	254,612	254,567
Restructuring	2,558	16,246
Operating profit	87,794	68,866
Interest expense, net	40,394	51,717
Income before income tax expense	47,400	17,149
Income tax expense	11,376	5,145
Net income	$ 36,024	$ 12,004
Earnings per share:		
Basic	$ 0.38	$ 0.12
Diluted	$ 0.38	$ 0.12
Weighted average shares outstanding:		
Basic	94,344	96,475
Diluted	95,610	97,105

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS

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

	March 29, 2008	December 29, 2007
Assets		
Cash and cash equivalents	$ 120,793	$ 174,236
Trade accounts receivable, less allowances of $19,775 at March 29, 2008 and $31,642 at December 29, 2007	541,900	575,069
Inventories	1,223,979	1,117,052
Deferred tax assets and other current assets	238,579	227,977
Total current assets	2,125,251	2,094,334
Property, net	526,498	534,286
Trademarks and other identifiable intangibles, net	155,406	151,266
Goodwill	312,574	310,425
Deferred tax assets and other noncurrent assets	350,410	349,172
Total assets	$ 3,470,139	$ 3,439,483
Liabilities and Stockholders' Equity		
Accounts payable	$ 309,867	$ 289,166
Accrued liabilities	359,436	380,239
Notes payable	14,562	19,577
Total current liabilities	683,865	688,982
Long-term debt	2,315,250	2,315,250
Other noncurrent liabilities	159,742	146,347
Total liabilities	3,158,857	3,150,579
Stockholders' equity:		
Preferred stock (50,000,000 authorized shares; $.01 par value) Issued and outstanding — None	—	—
Common stock (500,000,000 authorized shares; $.01 par value) Issued and outstanding — 94,056,351 at March 29, 2008 and 95,232,478 at December 29, 2007	941	954
Additional paid-in capital	204,418	199,019
Retained earnings	146,304	117,849
Accumulated other comprehensive loss	(40,381)	(28,918)
Total stockholders' equity	311,282	288,904
Total liabilities and stockholders' equity	$ 3,470,139	$ 3,439,483

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS

Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Quarter Ended	
	March 29, 2008	March 31, 2007
Operating activities:		
Net income	$ 36,024	$ 12,004
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	23,591	26,610
Amortization of intangibles	2,673	1,560
Restructuring	(1,119)	(633)
Amortization of debt issuance costs	1,506	1,625
Stock compensation expense	6,918	9,564
Deferred taxes and other	(2,871)	(3,833)
Changes in assets and liabilities:		
Accounts receivable	36,183	(24,806)
Inventories	(103,597)	(36,865)
Other assets	(7,061)	15,790
Accounts payable	18,315	10,690
Accrued liabilities	(30,043)	(12,297)
Net cash used in operating activities	(19,481)	(591)
Investing activities:		
Purchases of property and equipment	(27,580)	(7,394)
Proceeds from sales of assets	7,070	4,528
Other	—	(634)
Net cash used in investing activities	(20,510)	(3,500)
Financing activities:		
Principal payments on capital lease obligations	(263)	(277)
Borrowings on notes payable	17,747	8,992
Repayments on notes payable	(23,295)	(11,204)
Cost of debt issuance	—	(1,774)
Decrease in bank overdraft	—	(834)
Proceeds from stock options exercised	339	2,338
Stock repurchases	(8,277)	—
Borrowing on accounts receivable securitization	19,220	—
Repayments on accounts receivable securitization	(19,220)	—
Other	9	—
Net cash used in financing activities	(13,740)	(2,759)
Effect of changes in foreign exchange rates on cash	288	167
Decrease in cash and cash equivalents	(53,443)	(6,683)
Cash and cash equivalents at beginning of year	174,236	155,973
Cash and cash equivalents at end of period	$ 120,793	$ 149,290

See accompanying notes to Condensed Consolidated Financial Statements.

HANESBRANDS

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

(1) Basis of Presentation

These statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) and, in accordance with those rules and regulations, do not include all information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Management believes that the disclosures made are adequate for a fair statement of the results of operations, financial position and cash flows of Hanesbrands Inc., a Maryland corporation, and its consolidated subsidiaries (the “Company” or “Hanesbrands”). In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the results of operations, financial position and cash flows for the interim periods presented herein. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the reported amounts and disclosures. Actual results may vary from these estimates.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s most recent Annual Report on Form 10-K. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

Certain prior year amounts in the condensed consolidated financial statements have been reclassified to conform with the current year presentation. These reclassifications, which relate to changes in the classification of inventory, segment assets, segment depreciation and amortization expense, segment additions to long-lived assets and consolidating financial information, had no impact on the Company’s results of operations.

(2) Recently Issued Accounting Pronouncements

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, Fair Value Measurements (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 was effective for the Company’s financial assets and liabilities on December 30, 2007. The FASB approved a one-year deferral of the adoption of SFAS 157 as it relates to non-financial assets and liabilities with the issuance in February 2008 of FASB Staff Position FAS 157-2, Effective Date of FASB Statement No. 157, as a result of which implementation by the Company is now required on January 4, 2009. The partial adoption of SFAS 157 in the first quarter ended March 29, 2008 had no material impact on the financial condition, results of operations or cash flows of the Company, but resulted in certain additional disclosures reflected in Note 8.

Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115 (“SFAS 159”). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value under generally accepted accounting principles and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The provisions of SFAS 159 became effective for the Company on December 30, 2007. As permitted by SFAS 159, the Company elected not to adopt the fair value option.

Business Combinations

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"). The objective of SFAS 141R is to improve the relevance, representational faithfulness, and comparability of the information that a company provides in its financial reports about a business combination and its effects. Under SFAS 141R, a company would be required to recognize the assets acquired, liabilities assumed, contractual contingencies and contingent consideration measured at their fair value at the acquisition date. It further requires that research and development assets acquired in a business combination that have no alternative future use be measured at their acquisition-date fair value and then immediately charged to expense, and that acquisition-related costs are to be recognized separately from the acquisition and expensed as incurred. Among other changes, this statement would also require that "negative goodwill" be recognized in earnings as a gain attributable to the acquisition, and any deferred tax benefits resulting from a business combination be recognized in income from continuing operations in the period of the combination. The Company is in the process of analyzing the impact of SFAS 141R, which is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51" ("SFAS 160"). The objective of this Statement is to improve the relevance, comparability, and transparency of the financial information that a company provides in its consolidated financial statements. SFAS 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company's equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; that changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, that any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company does not believe that the adoption of SFAS 160 will have a material impact on its results of operations or financial position.

Disclosures About Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133 ("SFAS 161"). SFAS 161 expands the disclosure requirements of FASB Statement No. 133 about an entity's derivative instruments and hedging activities to include more detailed qualitative disclosures and expanded quantitative disclosures. The provisions of SFAS 161 are effective for fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact that SFAS 161 will have on its results of operations and financial position.

(3) Earnings Per Share

Basic earnings per share ("EPS") was computed by dividing net income by the number of weighted average shares of common stock outstanding at March 29, 2008 and March 31, 2007. Diluted EPS was calculated to give effect to all potentially dilutive shares of common stock. The reconciliation of basic to diluted weighted average shares for the quarters ended March 29, 2008 and March 31, 2007 is as follows:

(dollars and shares in thousands, except per share data)

	Quarter Ended	
	March 29, 2008	March 31, 2007
Basic weighted average shares	94,344	96,475
Effect of potentially dilutive securities:		
Stock options	298	171
Restricted stock units	966	459
Employee stock purchase plan	2	—
Diluted weighted average shares	95,610	97,105

Options to purchase 2,478 and 2,554 shares of common stock were excluded from the diluted earnings per share calculation because their effect would be anti-dilutive for the quarters ended March 29, 2008 and March 31, 2007, respectively.

(4) Stock-Based Compensation

During the first quarter ended March 29, 2008, the Company granted options to purchase 1,340 shares of common stock pursuant to the Hanesbrands Inc. Omnibus Incentive Plan of 2006 (the "Omnibus Plan") at an exercise price of $25.10 per share, which was the closing price of Hanesbrands' stock on the date of grant. These options can be exercised over a term of seven years and vest ratably over one to three years. The fair value of each option granted during the first quarter ended March 29, 2008 was estimated as of the date of grant using the Black-Scholes option-pricing model using the following assumptions: volatility of 28%; expected terms of 3.8 — 4.5 years; dividend yield of 0%; and risk-free interest rates ranging from 2.45% to 2.64%. The Company uses the volatility of peer companies for a period of time that is comparable to the expected life of the option to determine volatility assumptions due to the limited trading history of the Company's common stock since the Company's spin off from Sara Lee Corporation ("Sara Lee") on September 5, 2006. The Company utilized the simplified method outlined in SEC Staff Accounting Bulletin No. 107 to estimate expected lives for options granted during the first quarter ended March 29, 2008. SEC Staff Accounting Bulletin No. 110, which was issued in December 2007, amends SEC Staff Accounting Bulletin No. 107 and gives a limited extension on using the simplified method for valuing stock option grants to eligible public companies that do not have sufficient historical exercise patterns on options granted to employees. The weighted average fair value of individual options granted during the first quarter ended March 29, 2008 was $7.04.

During the first quarter ended March 29, 2008, the Company granted 540 restricted stock units (RSUs) pursuant to the Omnibus Plan. Upon the achievement of defined service conditions, the RSUs are converted into shares of the Company's common stock on a one-for-one basis and issued to the grantees. All RSUs vest solely upon continued future service to the Company. The cost of these awards is determined using the fair value of the shares on the date of grant, and compensation expense is recognized over the period during which the grantees provide the requisite service to the Company. The grant date fair value of the RSUs was $25.10.

During the first quarter ended March 29, 2008 and March 31, 2007, 34 and 0 shares, respectively, were purchased under the Hanesbrands Inc. Employee Stock Purchase Plan of 2006 (the "ESPP") by eligible employees. The Company had 2,330 shares of common stock available for issuance under the ESPP as of March 29, 2008.

(dollars and shares in thousands, except per share data)

(5) Restructuring

Over the past several years, the Company has undertaken a variety of restructuring efforts in connection with its consolidation and globalization strategy designed to improve operating efficiencies and lower costs. As a result of these efforts, the Company expects to incur approximately $250,000 in restructuring and related charges over the three year period following the spin off from Sara Lee on September 5, 2006, of which approximately half is expected to be noncash. As of March 29, 2008, the Company has recognized approximately $122,000 in restructuring and related charges related to these efforts since September 5, 2006. Of these charges, approximately $46,000 relates to employee termination and other benefits, approximately $64,000 relates to accelerated depreciation of buildings and equipment for facilities that have been or will be closed, and approximately $12,000 relates to lease termination and other costs. Accelerated depreciation related to the Company's manufacturing facilities and distribution centers that have been or will be closed is reflected in the "Cost of sales" and "Selling, general and administrative expenses" lines of the Condensed Consolidated Statements of Income.

The impact of restructuring on income before income tax expense is summarized as follows:

	Quarter Ended	
	March 29, 2008	March 31, 2007
Restructuring programs:		
Year ended January 3, 2009 restructuring actions	$ 2,942	$ —
Year ended December 29, 2007 restructuring actions	2,856	7,648
Six months ended December 30, 2006 restructuring actions	13	13,648
Year ended July 1, 2006 and prior restructuring actions	(52)	217
Decrease in income before income tax expense	$ 5,759	$ 21,513

The following table illustrates where the costs associated with these actions are recognized in the Condensed Consolidated Statements of Income:

	Quarter Ended	
	March 29, 2008	March 31, 2007
Cost of sales	$ 2,558	$ 5,267
Selling, general and administrative expenses	643	—
Restructuring	2,558	16,246
Decrease in income before income tax expense	$ 5,759	$ 21,513

Components of the restructuring actions are as follows:

	Quarter Ended	
	March 29, 2008	March 31, 2007
Accelerated depreciation	$ 3,201	$ 5,267
Employee termination and other benefits	2,558	6,015
Noncancelable lease and other contractual obligations	—	10,231
	$ 5,759	$ 21,513

(dollars and shares in thousands, except per share data)

Rollforward of accrued restructuring is as follows:

	Quarter Ended March 29, 2008
Beginning accrual	$ 23,350
Restructuring expenses	3,677
Cash payments	(7,225)
Adjustments to restructuring expenses	(1,119)
Ending accrual	$ 18,683

The accrual balance as of March 29, 2008 is comprised of $15,138 in current accrued liabilities and $3,545 in other noncurrent liabilities in the Condensed Consolidated Balance Sheet. The noncurrent portion is primarily related to lease termination payments.

Adjustments to previous estimates are primarily attributable to employee termination and other benefits and resulted from actual costs to settle obligations being lower than expected. The adjustments were reflected in the “Restructuring” line of the Condensed Consolidated Statements of Income.

Year Ended January 3, 2009 Actions

During the first quarter of 2008, the Company approved actions to close two manufacturing facilities and eliminate approximately 1,100 employees in Heredia, Costa Rica and Aguascalientes, Mexico during the next twelve months. This production capacity will be relocated to lower cost locations in Asia and Central America. The Company recorded a charge of $2,942 primarily attributable to employee termination and other benefits recognized in accordance with benefit plans previously communicated to the affected employee group. This charge is reflected in the “Restructuring” line of the Condensed Consolidated Statement of Income. All actions are expected to be completed within a 12-month period.

(6) Inventories

Inventories consisted of the following:

	March 29, 2008	December 29, 2007
Raw materials	$ 164,400	$ 176,758
Work in process	170,262	122,724
Finished goods	889,317	817,570
	$ 1,223,979	$ 1,117,052

(dollars and shares in thousands, except per share data)

(7) Long-Term Debt

The Company had the following long-term obligations at March 29, 2008 and December 29, 2007:

	Interest Rate as of March 29, 2008	Principal Amount March 29, 2008	Principal Amount December 29, 2007
Senior Secured Credit Facility:			
Term A	4.59%	$ 139,000	$ 139,000
Term B	4.89%	976,250	976,250
Second Lien Credit Facility	6.99%	450,000	450,000
Floating Rate Senior Notes	8.20%	500,000	500,000
Accounts Receivable Securitization	3.75%	250,000	250,000
		$ 2,315,250	$ 2,315,250

As of March 29, 2008, the Company had $0 outstanding under the Senior Secured Credit Facility's $500,000 Revolving Loan Facility and $64,389 of standby and trade letters of credit issued and outstanding under this facility.

Availability of funding under the accounts receivable securitization depends primarily upon the eligible outstanding receivables balance. As of March 29, 2008, the Company had $250,000 outstanding under the accounts receivable securitization. The total amount of receivables used as collateral for the accounts receivable securitization was $460,658 and $495,245 at March 29, 2008 and December 29, 2007, respectively, and is reported on the Company's Condensed Consolidated Balance Sheets in trade accounts receivables less allowances.

(8) Fair Value of Financial Assets and Liabilities

The Company has adopted the provisions of SFAS 157 as of December 30, 2007 for its financial assets and liabilities. Although this partial adoption of SFAS 157 had no material impact its financial condition, results of operations or cash flows, the Company is now required to provide additional disclosures as part of its financial statements. SFAS 157 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in SFAS 157. The three valuation techniques are as follows:

- Market approach — prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach — amount that would be required to replace the service capacity of an asset or replacement cost.

(dollars and shares in thousands, except per share data)

- Income approach — techniques to convert future amounts to a single present amount based on market expectations, including present value techniques, option-pricing and other models.

The Company primarily applies the market approach for commodity derivatives and the income approach for interest rate and foreign currency derivatives for recurring fair value measurements and attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

As of March 29, 2008, the Company held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. These consisted of the Company's derivative instruments related to interest rates, foreign exchange rates and cotton. The fair values of cotton derivatives are determined based on quoted prices in public markets and are categorized as Level 1. The fair values of interest rate and foreign exchange rate derivatives are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2. The Company does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the quarter ended March 29, 2008. There were no changes to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following table sets forth by level within SFAS 157's fair value hierarchy of the Company's financial assets and liabilities accounted for at fair value on a recurring basis at March 29, 2008. As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

	Assets (Liabilities) at Fair Value as of March 29, 2008		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative contracts, net	$(173)	$(32,726)	$—
Total	$(173)	$(32,726)	$—

The determination of fair values above incorporates various factors required under SFAS 157. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Company's nonperformance risk on its liabilities.

(9) Comprehensive Income

SFAS No. 130, Reporting Comprehensive Income, requires that all components of comprehensive income, including net income, be reported in the financial statements in the period in which they are recognized. Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Net income and other comprehensive income, including foreign currency translation adjustments, amounts amortized into net periodic benefit cost as required by SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, and unrealized gains and losses on qualifying cash flow hedges, are combined, net of their related tax effect, to arrive at comprehensive income. The Company's comprehensive income is as follows:

(dollars and shares in thousands, except per share data)

	Quarter Ended	
	March 29, 2008	March 31, 2007
Net income	$ 36,024	$ 12,004
Translation adjustments	(1,530)	473
Net unrealized loss on qualifying cash flow hedges, net of tax of $6,307 and $1,484, respectively	(9,906)	(2,331)
Amounts amortized into net periodic income:		
Prior service cost (benefit), net of tax of $4 and $779, respectively	6	(1,224)
Actuarial loss, net of tax of $15 and $362, respectively	24	569
Comprehensive income	$ 24,618	$ 9,491

(10) Income Taxes

For the quarters ended March 29, 2008 and March 31, 2007, income taxes have been computed consistent with Accounting Principles Board Opinion No. 28, "Interim Financial Reporting" and FASB Interpretation No. 18, "Accounting for Income Taxes in Interim Periods."

The difference in the estimated annual effective income tax rates of 24% and 30% for the quarters ended March 29, 2008 and March 31, 2007, respectively, and the U.S. statutory rate of 35.0% is primarily attributable to unremitted earnings of foreign subsidiaries taxed at rates less than the U.S. statutory rate. The Company's estimated annual effective tax rate is reflective of its strategic initiative to make substantial capital investments outside the United States in its global supply chain in 2008.

Within 180 days after Sara Lee files its final consolidated tax return for the period that includes September 5, 2006, which is expected to occur by September 2008, Sara Lee is required to deliver to the Company a computation of the amount of deferred taxes attributable to the Company's United States and Canadian operations that would be included on the Company's balance sheet as of September 6, 2006. If substituting the amount of deferred taxes as finally determined for the amount of estimated deferred taxes that were included on that balance sheet at the time of the spin off causes a decrease in the net book value reflected on that balance sheet, then Sara Lee will be required to pay the Company the amount of such decrease. If such substitution causes an increase in the net book value reflected on that balance sheet, then the Company will be required to pay Sara Lee the amount of such increase.

(11) Business Segment Information

The Company's operations are managed and reported in five operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Outerwear, Hosiery, International and Other. These segments are organized principally by product category and geographic location. Management of each segment is responsible for the operations of these businesses.

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

- Innerwear sells basic branded products that are replenishment in nature under the product categories of women's intimate apparel, men's underwear, kids' underwear, socks, thermals and sleepwear.

HANESBRANDS

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

- Outerwear sells basic branded products that are seasonal in nature under the product categories of casualwear and activewear.
- Hosiery sells products in categories such as pantyhose and knee highs.
- International relates to the Latin America, Asia, Canada and Europe geographic locations which sell products that span across the Innerwear, Outerwear and Hosiery reportable segments.
- Other is comprised of sales of nonfinished products such as fabric and certain other materials in the United States and Latin America in order to maintain asset utilization at certain manufacturing facilities and generate break even margins.

The Company evaluates the operating performance of its segments based upon segment operating profit, which is defined as operating profit before general corporate expenses, amortization of trademarks and other identifiable intangibles and restructuring and related accelerated depreciation charges. The accounting policies of the segments are consistent with those described in Note 2 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 29, 2007.

Certain prior year segment assets, depreciation and amortization expense and additions to long-lived assets disclosures have been revised to conform to the current year presentation.

	Quarter Ended	
	March 29, 2008	March 31, 2007
Net sales:		
Innerwear	$ 543,730	$ 590,447
Outerwear	272,205	283,635
Hosiery	66,741	73,693
International	104,636	90,777
Other	11,121	15,398
Total segment net sales(1)	998,433	1,053,950
Intersegment(2)	(10,586)	(14,056)
Total net sales	$ 987,847	$ 1,039,894

HANESBRANDS

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

	Quarter Ended	
	March 29, 2008	March 31, 2007
Segment operating profit:		
Innerwear	$ 53,675	$ 75,968
Outerwear	16,417	6,100
Hosiery	24,121	20,045
International	14,804	7,778
Other	(840)	(775)
Total segment operating profit	108,177	109,116
Items not included in segment operating profit:		
General corporate expenses	(11,951)	(17,177)
Amortization of trademarks and other identifiable intangibles	(2,673)	(1,560)
Restructuring	(2,558)	(16,246)
Accelerated depreciation included in cost of sales	(2,558)	(5,267)
Accelerated depreciation included in selling, general and administrative expenses	(643)	—
Total operating profit	87,794	68,866
Interest expense, net	(40,394)	(51,717)
Income before income tax expense	$ 47,400	$ 17,149

	March 29, 2008	December 29, 2007
Assets:		
Innerwear	$ 1,278,246	$ 1,247,441
Outerwear	792,845	754,178
Hosiery	97,449	97,804
International	236,351	232,142
Other	15,391	16,807
	2,420,282	2,348,372
Corporate(3)	1,049,857	1,091,111
Total assets	$ 3,470,139	$ 3,439,483

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

	Quarter Ended	
	March 29, 2008	March 31, 2007
Depreciation and amortization expense:		
Innerwear	$ 10,551	$ 11,319
Outerwear	7,130	6,897
Hosiery	1,631	2,542
International	423	821
Other	337	133
	20,072	21,712
Corporate	6,192	6,458
Total depreciation and amortization expense	$ 26,264	$ 28,170

	Quarter Ended	
	March 29, 2008	March 31, 2007
Additions to long-lived assets:		
Innerwear	$ 7,402	$ 3,861
Outerwear	13,002	1,937
Hosiery	79	304
International	474	360
Other	3	7
	20,960	6,469
Corporate	6,620	925
Total additions to long-lived assets	$ 27,580	$ 7,394

(1) Includes sales between segments. Such sales are at transfer prices that are at cost plus markup or at prices equivalent to market value.

(2) Intersegment sales included in the segments' net sales are as follows:

	Quarter Ended	
	March 29, 2008	March 31, 2007
Innerwear	$ 1,356	$ 1,725
Outerwear	5,430	6,798
Hosiery	3,131	4,824
International	669	709
Other	—	—
Total	$ 10,586	$ 14,056

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

(12) Consolidating Financial Information

In accordance with the indenture governing the Company's $500,000 Floating Rate Senior Notes issued on December 14, 2006, certain of the Company's subsidiaries have guaranteed the Company's obligations under the Floating Rate Senior Notes. The following presents the condensed consolidating financial information separately for:

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

(ii) Guarantor subsidiaries, on a combined basis, as specified in the indenture governing the Floating Rate Senior Notes;

(iii) Non-guarantor subsidiaries, on a combined basis;

(iv) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among Parent Company, the guarantor subsidiaries and the non-guarantor subsidiaries, (b) eliminate intercompany profit in inventory, (c) eliminate the investments in our subsidiaries and (d) record consolidating entries; and

(v) Parent Company, on a consolidated basis.

The Floating Rate Senior Notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary, each of which is wholly owned, directly or indirectly, by Hanesbrands Inc. Each entity in the consolidating financial information follows the same accounting policies as described in the Company's Consolidated Financial Statements included in its Annual Report on Form 10-K for the year ended December 29, 2007, except for the use by the Parent Company and guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation.

Certain prior period amounts have been reclassified to conform to the current year presentation and legal entity structure relating to the classification of the investment in subsidiary balances and related equity in earnings of subsidiaries.

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

	Condensed Consolidating Statement of Income Quarter Ended March 29, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	$ 1,023,459	$ 97,446	$ 644,959	$ (778,017)	$ 987,847
Cost of sales	801,169	39,213	560,838	(758,337)	642,883
Gross profit	222,290	58,233	84,121	(19,680)	344,964
Selling, general and administrative expenses	219,300	21,591	13,274	447	254,612
Restructuring	(515)	—	3,073	—	2,558
Operating profit (loss)	3,505	36,642	67,774	(20,127)	87,794
Equity in earnings (loss) of subsidiaries	63,706	36,777	—	(100,483)	—
Interest expense, net	26,343	8,891	5,160	—	40,394
Income (loss) before income tax expense (benefit)	40,868	64,528	62,614	(120,610)	47,400
Income tax expense (benefit)	4,844	2,118	4,414	—	11,376
Net income (loss)	$ 36,024	$ 62,410	$ 58,200	$ (120,610)	$ 36,024

	Condensed Consolidating Statement of Income Quarter Ended March 31, 2007				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	$ 1,042,703	$ 202,596	$ 599,701	$ (805,106)	$ 1,039,894
Cost of sales	805,905	150,407	536,603	(792,700)	700,215
Gross profit	236,798	52,189	63,098	(12,406)	339,679
Selling, general and administrative expenses	220,847	3,582	24,516	5,622	254,567
Restructuring	15,901	—	345	—	16,246
Operating profit (loss)	50	48,607	38,237	(18,028)	68,866
Equity in earnings (loss) of subsidiaries	52,674	25,305	—	(77,979)	—
Interest expense, net	41,388	10,637	(301)	(7)	51,717
Income (loss) before income tax expense (benefit)	11,336	63,275	38,538	(96,000)	17,149
Income tax expense (benefit)	(668)	1,173	4,640	—	5,145
Net income (loss)	$ 12,004	$ 62,102	$ 33,898	$ (96,000)	$ 12,004

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

	Condensed Consolidating Balance Sheet March 29, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 26,396	$ 1,958	$ 92,439	$ —	$ 120,793
Trade accounts receivable	(2,271)	8,053	538,184	(2,066)	541,900
Inventories	932,683	49,604	292,780	(51,088)	1,223,979
Deferred tax assets and other current assets	196,443	6,925	37,699	(2,488)	238,579
Total current assets	1,153,251	66,540	961,102	(55,642)	2,125,251
Property, net	267,769	7,645	251,084	—	526,498
Trademarks and other identifiable intangibles, net	31,320	118,494	5,592	—	155,406
Goodwill	232,883	16,934	62,757	—	312,574
Investments in subsidiaries	477,770	614,871	—	(1,092,641)	—
Deferred tax assets and other noncurrent assets	307,611	268,655	(164,610)	(61,246)	350,410
Total assets	$ 2,470,604	$ 1,093,139	$ 1,115,925	$ (1,209,529)	$ 3,470,139
Liabilities and Stockholders' Equity					
Accounts payable	$ 137,755	$ 2,825	$ 83,640	$ 85,647	$ 309,867
Accrued liabilities	274,705	23,982	63,389	(2,640)	359,436
Notes payable	—	—	14,562	—	14,562
Total current liabilities	412,460	26,807	161,591	83,007	683,865
Long-term debt	1,615,250	450,000	250,000	—	2,315,250
Other noncurrent liabilities	131,612	1,693	22,009	4,428	159,742
Total liabilities	2,159,322	478,500	433,600	87,435	3,158,857
Stockholders' equity	311,282	614,639	682,325	(1,296,964)	311,282
Total liabilities and stockholders' equity	$ 2,470,604	$ 1,093,139	$ 1,115,925	$ (1,209,529)	$ 3,470,139

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

	Condensed Consolidating Balance Sheet December 29, 2007				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Cash and cash equivalents	$ 84,476	$ 6,329	$ 83,431	$ —	$ 174,236
Trade accounts receivable	(13,135)	4,389	586,327	(2,512)	575,069
Inventories	827,312	47,443	281,224	(38,927)	1,117,052
Deferred tax assets and other current assets	196,451	3,888	30,013	(2,375)	227,977
Total current assets	1,095,104	62,049	980,995	(43,814)	2,094,334
Property, net	286,081	6,979	241,226	—	534,286
Trademarks and other identifiable intangibles, net	25,955	119,682	5,629	—	151,266
Goodwill	232,882	16,934	60,609	—	310,425
Investments in subsidiaries	424,746	585,168	—	(1,009,914)	—
Deferred tax assets and other noncurrent assets	386,070	249,621	(232,117)	(54,402)	349,172
Total assets	$ 2,450,838	$ 1,040,433	$ 1,056,342	$ (1,108,130)	$ 3,439,483
Liabilities and Stockholders' Equity					
Accounts payable	$ 127,887	$ 4,344	$ 71,288	$ 85,647	$ 289,166
Accrued liabilities	299,078	22,537	61,294	(2,670)	380,239
Notes payable	—	—	19,577	—	19,577
Total current liabilities	426,965	26,881	152,159	82,977	688,982
Long-term debt	1,615,250	450,000	250,000	—	2,315,250
Other noncurrent liabilities	119,719	1,773	19,854	5,001	146,347
Total liabilities	2,161,934	478,654	422,013	87,978	3,150,579
Stockholders' equity	288,904	561,779	634,329	(1,196,108)	288,904
Total liabilities and stockholders' equity	$ 2,450,838	$ 1,040,433	$ 1,056,342	$ (1,108,130)	$ 3,439,483

HANESBRANDS

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

	Condensed Consolidating Statement of Cash Flows Quarter Ended March 29, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ (45,823)	$ 36,758	$ 91,516	$ (101,932)	$ (19,481)
Investing activities:					
Purchases of property and equipment	(6,971)	(1,879)	(18,730)	—	(27,580)
Proceeds from sales of assets	6,172	—	898	—	7,070
Other	2,750	—	(2,199)	(551)	—
Net cash provided by (used in) investing activities	1,951	(1,879)	(20,031)	(551)	(20,510)
Financing activities:					
Principal payments on capital lease obligations	(263)	—	—	—	(263)
Borrowings on notes payable	—	—	17,747	—	17,747
Repayments on notes payable	—	—	(23,295)	—	(23,295)
Proceeds from stock options exercised	339	—	—	—	339
Stock repurchases	(8,277)	—	—	—	(8,277)
Borrowing on accounts receivable securitization	—	—	19,220	—	19,220
Repayments on accounts receivable securitization	—	—	(19,220)	—	(19,220)
Other	9	—	—	—	9
Net transactions with related entities	(6,016)	(39,250)	(57,217)	102,483	—
Net cash provided by (used in) financing activities	(14,208)	(39,250)	(62,765)	102,483	(13,740)
Effect of changes in foreign exchange rates on cash	—	—	288	—	288
Increase (decrease) in cash and cash equivalents	(58,080)	(4,371)	9,008	—	(53,443)
Cash and cash equivalents at beginning of year	84,476	6,329	83,431	—	174,236
Cash and cash equivalents at end of period	$ 26,396	$ 1,958	$ 92,439	$ —	$ 120,793

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

	Condensed Consolidating Statement of Cash Flows Quarter Ended March 31, 2007				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ 26,141	$ 30,577	$ 20,966	$ (78,275)	$ (591)
Investing activities:					
Purchases of property and equipment	(5,473)	(235)	(1,686)	—	(7,394)
Proceeds from sales of assets	414	1,162	2,952	—	4,528
Other	(366)	84	(709)	357	(634)
Net cash provided by (used in) investing activities	(5,425)	1,011	557	357	(3,500)
Financing activities:					
Principal payments on capital lease obligations	(262)	(15)	—	—	(277)
Borrowings on notes payable	—	—	8,992	—	8,992
Repayments on notes payable	—	—	(11,204)	—	(11,204)
Cost of debt issuance	(1,774)	—	—	—	(1,774)
Decrease in bank overdraft	—	—	(834)	—	(834)
Proceeds from stock options exercised	2,338	—	—	—	2,338
Net transactions with related entities	(47,711)	(26,106)	(4,101)	77,918	—
Net cash provided by (used in) financing activities	(47,409)	(26,121)	(7,147)	77,918	(2,759)
Effect of changes in foreign exchange rates on cash	—	—	167	—	167
Increase (decrease) in cash and cash equivalents	(26,693)	5,467	14,543	—	(6,683)
Cash and cash equivalents at beginning of year	60,960	(1,251)	96,264	—	155,973
Cash and cash equivalents at end of period	$ 34,267	$ 4,216	$ 110,807	$ —	$ 149,290

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

This management's discussion and analysis of financial condition and results of operations, or MD&A, contains forward-looking statements that involve risks and uncertainties. Please see "Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements. This discussion should be read in conjunction with our historical financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q. The unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with our audited consolidated financial statements and notes for the year ended December 29, 2007, which were included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those included elsewhere in this Quarterly Report on Form 10-Q and those included in our Annual Report on Form 10-K.

Overview

We are a consumer goods company with a portfolio of leading apparel brands, including *Hanes*, *Champion*, *Playtex*, *Bali*, *Just My Size*, *barely there* and *Wonderbra.* We design, manufacture, source and sell a broad range of apparel essentials such as t-shirts, bras, panties, men's underwear, kids' underwear, socks, hosiery, casualwear and activewear.

Our operations are managed in five operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Outerwear, Hosiery, International and Other. These segments are organized principally by product category and geographic location. Management of each segment is responsible for the operations of these businesses.

- *Innerwear.* The Innerwear segment focuses on core apparel essentials, and consists of products such as women's intimate apparel, men's underwear, kids' underwear, socks, thermals and sleepwear, marketed under well-known brands that are trusted by consumers. We are an intimate apparel category leader in the United States with our *Hanes*, *Playtex*, *Bali*, *Just My Size*, *barely there*, and *Wonderbra* brands. We are also a leading manufacturer and marketer of men's underwear and kids' underwear under the *Hanes* and *Champion* brand names. Our net sales for the first quarter ended March 29, 2008 from our Innerwear segment were $544 million, representing approximately 54% of total segment net sales.
- *Outerwear.* We are a leader in the casualwear and activewear markets through our *Hanes*, *Champion* and *Just My Size* brands, where we offer products such as t-shirts and fleece. Our casualwear lines offer a range of quality, comfortable clothing for men, women and children marketed under the *Hanes* and *Just My Size* brands. The *Just My Size* brand offers casual apparel designed exclusively to meet the needs of plus-size women. In addition to activewear for men and women, *Champion* provides uniforms for athletic programs and includes an apparel program, *C9 by Champion*, at Target stores. We also license our *Champion* name for collegiate apparel and footwear. We also supply our t-shirts, sportshirts and fleece products primarily to wholesalers, who then resell to screen printers and embellishers, through brands such as *Hanes*, *Champion* and *Outer Banks*. Our net sales for the first quarter ended March 29, 2008 from our Outerwear segment were $272 million, representing approximately 27% of total segment net sales.
- *Hosiery.* We are the leading marketer of women's sheer hosiery in the United States. We compete in the hosiery market by striving to offer superior values and executing integrated marketing activities, as well as focusing on the style of our hosiery products. We market hosiery products under our *Hanes*, *L'eggs* and *Just My Size* brands. Our net sales for the first quarter ended March 29, 2008 from our Hosiery segment were $67 million, representing approximately 7% of total segment net sales. We expect the trend of declining hosiery sales to continue consistent with the overall decline in the industry and with shifts in consumer preferences.

- *International.* International includes products that span across the Innerwear, Outerwear and Hosiery reportable segments and include products marketed under the *Hanes*, *Champion*, *Wonderbra*, *Playtex*, *Rinbros*, *Bali* and *Stedman* brands. Our net sales for the first quarter ended March 29, 2008 from our International segment were $105 million, representing approximately 11% of total segment net sales and included sales in Latin America, Asia, Canada and Europe. Japan, Canada and Mexico are our largest international markets, and we also have sales offices in India and China.
- *Other.* Our net sales for the first quarter ended March 29, 2008 in our Other segment were $11 million, representing approximately 1% of total segment net sales and are comprised of sales of nonfinished products such as fabric and certain other materials in the United States and Latin America in order to maintain asset utilization at certain manufacturing facilities and generate break even margins.

Our operating results are subject to some variability. Generally, our diverse range of product offerings helps mitigate the impact of seasonal changes in demand for certain items. Sales are typically higher in the last two quarters (July to December) of each fiscal year. Socks, hosiery and fleece products generally have higher sales during this period as a result of cooler weather, back-to-school shopping and holidays. Sales levels in a period are also impacted by customers' decisions to increase or decrease their inventory levels in response to anticipated consumer demand. Our customers may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice to us. Our results of operations are also impacted by fluctuations and volatility in the price of cotton and the timing of actual spending for our media, advertising and promotion expenses. Media, advertising and promotion expenses may vary from period to period during a fiscal year depending on the timing of our advertising campaigns for retail selling seasons and product introductions. Our costs for cotton yarn and cotton-based textiles vary based upon the fluctuating cost of cotton, which is affected by weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries and other factors that are generally unpredictable and beyond our control. While we do enter into short-term supply agreements and hedges in an attempt to protect our business from the volatility of the market price of cotton, our business can be affected by dramatic movements in cotton prices, although cotton has historically represented only 6% of our cost of sales. Cotton prices were 54 cents per pound in the first quarter of 2008 as compared to 56 cents per pound in the first quarter of 2007. Taking into consideration the agreements that we currently have in effect and cotton costs currently included in inventory, we expect our cost of cotton to average 66 cents per pound for the full year 2008. The price of cotton currently in our inventory has risen to the 70 cents per pound range which is the price that will impact our operating results in the third and fourth quarters of 2008. Additionally, the prices for the cotton crop grown this coming summer season, which will impact our operating results in 2009, have risen to the upper 70 cents per pound range.

Highlights from the First Quarter Ended March 29, 2008

- Diluted earnings per share were $0.38 in the first quarter of 2008, compared with $0.12 in 2007.
- Operating profit was $88 million in the first quarter of 2008, up from $69 million in 2007.
- Total net sales in the first quarter of 2008 were lower by $52 million at $988 million compared to 2007.
- We approved actions to close two manufacturing facilities in Heredia, Costa Rica and Aguascalientes, Mexico during the first quarter of 2008. In addition, we completed several actions in the first quarter of 2008 that were announced in 2007.
- Capital expenditures were $28 million during the first quarter of 2008 as we continued to build out our textile and sewing network in Asia and Central America.
- Using cash flow from operating activities, we repurchased $8 million of company stock during the first quarter of 2008.

- We ended the first quarter of 2008 with an excess of $600 million of liquidity, which consists of $436 million of borrowing availability under our undrawn revolving loan facility, $121 million in cash and cash equivalents and $96 million of borrowing availability under our international loan facilities.

Condensed Consolidated Results of Operations — First Quarter Ended March 29, 2008 Compared with First Quarter Ended March 31, 2007

	Quarter Ended			
	March 29, 2008	March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$ 987,847	$ 1,039,894	$ (52,047)	(5.0)%
Cost of sales	642,883	700,215	(57,332)	(8.2)
Gross profit	344,964	339,679	5,285	1.6
Selling, general and administrative expenses	254,612	254,567	45	0.0
Restructuring	2,558	16,246	(13,688)	(84.3)
Operating profit	87,794	68,866	18,928	27.5
Interest expense, net	40,394	51,717	(11,323)	(21.9)
Income before income tax expense	47,400	17,149	30,251	176.4
Income tax expense	11,376	5,145	6,231	121.1
Net income	$ 36,024	$ 12,004	$ 24,020	200.1%

Net Sales

	Quarter Ended			
	March 29, 2008	March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$987,847	$1,039,894	$(52,047)	(5.0)%

Consolidated net sales were lower by $52 million or 5.0% in the first quarter of 2008 compared to 2007. Our Innerwear, Outerwear, Hosiery and Other segment net sales were lower by $47 million (7.9%), $11 million (4.0%), $7 million (9.4%) and $4 million (27.8%), respectively, and were partially offset by higher segment net sales in International of $14 million (15.3%). Although the majority of our products are replenishment in nature and tend to be purchased by consumers on a planned, rather than on an impulse, basis, softness in the retail environment can impact our results in the short-term, as it did in the first quarter of 2008. Sales to our retail customers during the first quarter of 2008 were reflective of a difficult economic and retail environment in which the ultimate consumers of our products have been limiting their discretionary spending.

The net sales decline was broad based affecting most product categories and most customers. The overall lower net sales were primarily due to a decline in sales volume across most product categories in our key brands *Hanes*, *Champion*, *Bali*, *Just My Size* and *barely there. Playtex* brand net sales were flat compared to last year. Net sales in the Hosiery segment were lower primarily due to lower sales of the *Hanes* brand to national chains and department stores and the *L'eggs* brand to mass retailers and food and drug stores. We expect the trend of declining hosiery sales to continue consistent with the overall decline in the industry and with shifts in consumer preferences.

The lower net sales were partially offset by higher net sales in the International segment that were driven by a favorable impact of $11 million related to foreign currency exchange rates. The favorable impact was primarily due to the strengthening of the Canadian dollar, Euro, Japanese yen and Brazilian real and by the growth in the European casualwear business.

Gross Profit

	Quarter Ended			
	March 29, 2008	March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Gross profit	$344,964	$339,679	$ 5,285	1.6%

As a percent of net sales, our gross profit percentage was 34.9% in the first quarter of 2008 compared to 32.7% in 2007. The higher gross profit percentage was primarily due to $11 million of savings from our cost reduction initiatives and prior restructuring actions, $11 million of lower production costs, a $5 million favorable impact related to foreign currency exchange rates, and lower accelerated depreciation of $3 million. The favorable foreign currency exchange rate impact in our International segment was primarily due to the strengthening of the Canadian dollar, Euro, Japanese yen and Brazilian real.

These lower costs were partially offset by $19 million of lower sales volume, higher freight costs of $5 million primarily due to a greater use of air freight and higher sales incentives of $2 million.

Our per pound cotton costs were $2 million lower in the first quarter of 2008 as compared to 2007. The cotton prices reflected in our results were 54 cents per pound in the first quarter of 2008 as compared to 56 cents per pound in 2007. After taking into consideration the agreements that we currently have in effect and cotton costs currently included in inventory, we expect our cost of cotton to average 66 cents per pound for the full year 2008.

Selling, General and Administrative Expenses

	Quarter Ended			
	March 29, 2008	March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Selling, general and administrative expenses	$254,612	$254,567	$ 45	0.0%

Our selling, general and administrative expenses were flat in the first quarter of 2008 compared to 2007. Our cost reduction efforts have allowed us to offset higher investments in our strategic initiatives of higher media related media, advertising and promotion expenses (“MAP”) of $10 million and higher technology consulting expenses of $9 million during the first quarter of 2008. Our media related MAP expenses were higher in the first quarter of 2008 to support the launch of *Hanes* No Ride Up Panties and marketing initiatives for *Playtex*.

The higher expenses were offset by $8 million of savings from our prior restructuring actions primarily for compensation and related benefits, $4 million of lower pension expense, $2 million of lower stock compensation expense, $2 million of lower distribution expenses and $2 million of lower non-media related MAP expenses. MAP expenses may vary from period to period during a fiscal year depending on the timing of our advertising campaigns for retail selling seasons and product introductions.

Restructuring

	Quarter Ended			
	March 29, 2008	March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Restructuring	$ 2,558	$ 16,246	$(13,688)	(84.3)%

During the first quarter of 2008, we approved actions to close two manufacturing facilities and eliminate approximately 1,100 employees in Heredia, Costa Rica and Aguascalientes, Mexico during the next twelve months. This production capacity will be relocated to lower cost locations in Asia and Central America. We recorded a charge of $3 million primarily attributable to employee termination and other benefits recognized in accordance with benefit plans previously communicated to the affected employee group. In connection with our consolidation and globalization strategy, in the first quarters of 2008 and 2007 we recognized non-cash charges of $3 million and $5 million, respectively, in the “Cost of sales” line and a non-cash charge of $1 million in the “Selling, general and administrative expenses” line in the first quarter of 2008 related to accelerated depreciation of buildings and equipment for facilities that have been closed or will be closed.

The change in restructuring expense in 2008 compared to 2007 is attributable to $16 million in restructuring charges we incurred during the first quarter of 2007 which primarily related to a $10 million charge for lease termination costs and $6 million in charges for employee termination and other benefits associated with previously approved actions for plant closures.

These actions, which are a continuation of our consolidation and globalization strategy, are expected to result in benefits of moving production to lower-cost manufacturing facilities, leveraging our large scale in high-volume products and consolidating production capacity.

Operating Profit

	Quarter Ended			
	March 29, 2008	March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Operating profit	$87,794	$68,866	$ 18,928	27.5%

Operating profit was higher in the first quarter of 2008 by $19 million compared to 2007 primarily as a result of lower restructuring charges for facility closures of $14 million and higher gross profit of $5 million. Our ability to control costs and execute on our consolidation and globalization strategy has allowed us to offset higher investments in our strategic initiatives of $19 million during the first quarter of 2008 compared to 2007.

Interest Expense, Net

	Quarter Ended			
	March 29, 2008	March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Interest expense, net	$40,394	$51,717	$(11,323)	(21.9)%

Interest expense, net was lower by $11 million in the first quarter of 2008 compared to 2007. The lower interest expense is primarily attributable to a lower weighted average interest rate, $6 million of which resulted from a lower LIBOR and $2 million of which resulted from reduced interest rates achieved through changes in our financing structure such as the February 2007 amendment to our senior secured credit facility and our accounts receivable securitization that we entered into in November 2007. In addition, interest expense was reduced by $3 million as a result of our net prepayments of long-term debt during 2007 of $178 million. Our weighted average interest rate on our outstanding debt was 6.69% during the first quarter of 2008 compared to 7.89% in 2007.

Income Tax Expense

	Quarter Ended			
	March 29, 2008	March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Income tax expense	$11,376	$ 5,145	$ 6,231	121.1%

Our estimated annual effective income tax rate was 24% in the first quarter of 2008 compared to 30% in 2007. The lower effective income tax rate is attributable primarily to higher unremitted earnings from foreign subsidiaries in the first quarter of 2008 taxed at rates less than the U.S. statutory rate. Our estimated annual effective tax rate is reflective of our strategic initiative to make substantial capital investments outside the United States in our global supply chain in 2008.

Net Income

	Quarter Ended			
	March 29, 2008	March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net income	$ 36,024	$ 12,004	$ 24,020	200.1%

Net income for the first quarter of 2008 was higher than 2007 primarily due to lower restructuring charges, lower interest expense, higher gross profit and a lower effective income tax rate.

Operating Results by Business Segment — First Quarter Ended March 29, 2008 Compared with First Quarter Ended March 31, 2007

	Quarter Ended			
	March 29, 2008	March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales:				
Innerwear	$ 543,730	$ 590,447	$ (46,717)	(7.9)%
Outerwear	272,205	283,635	(11,430)	(4.0)
Hosiery	66,741	73,693	(6,952)	(9.4)
International	104,636	90,777	13,859	15.3
Other	11,121	15,398	(4,277)	(27.8)
Total segment net sales	998,433	1,053,950	(55,517)	(5.3)
Intersegment	(10,586)	(14,056)	(3,470)	(24.7)
Total net sales	$ 987,847	$ 1,039,894	$ (52,047)	(5.0)%
Segment operating profit:				
Innerwear	$ 53,675	$ 75,968	$ (22,293)	(29.3)%
Outerwear	16,417	6,100	10,317	169.1
Hosiery	24,121	20,045	4,076	20.3
International	14,804	7,778	7,026	90.3
Other	(840)	(775)	(65)	(8.4)
Total segment operating profit	108,177	109,116	(939)	(0.9)
Items not included in segment operating profit:				
General corporate expenses	(11,951)	(17,177)	(5,226)	(30.4)
Amortization of trademarks and other intangibles	(2,673)	(1,560)	1,113	71.3
Restructuring	(2,558)	(16,246)	(13,688)	(84.3)
Accelerated depreciation included in cost of sales	(2,558)	(5,267)	(2,709)	(51.4)
Accelerated depreciation included in selling, general and administrative expenses	(643)	—	643	NM
Total operating profit	87,794	68,866	18,928	27.5
Interest expense, net	(40,394)	(51,717)	(11,323)	(21.9)
Income before income tax expense	$ 47,400	$ 17,149	$ 30,251	176.4%

Innerwear

	Quarter Ended March 29, 2008	Quarter Ended March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$543,730	$590,447	$(46,717)	(7.9)%
Segment operating profit	53,675	75,968	(22,293)	(29.3)

Overall net sales in the Innerwear segment were lower by $47 million or 7.9% in the first quarter of 2008 compared to 2007. The net sales decline was broad based, affecting most product categories and most customers. We experienced lower sales of *Hanes* brand men's underwear of $10 million, lower *Hanes* brand kids' underwear sales of $8 million, lower *Champion* brand sock sales of $4 million, lower *Hanes* brand socks sales of $3 million and lower *Hanes* brand sleepwear sales of $3 million. In addition, we experienced lower sales of *Just My Size* brand intimate apparel of $6 million, lower sales of *barely there* brand intimate apparel of $5 million, lower sales of *Bali* brand intimate apparel of $4 million and lower sales of *Hanes* brand intimate apparel of $2 million.

As a percent of segment net sales, gross profit percentage in the Innerwear segment was 38.3% in the first quarter of 2008 compared to 38.6% in 2007. The lower gross profit is primarily attributable to lower sales volume of $15 million, unfavorable product sales mix of $8 million, higher freight costs of $5 million and higher production costs of $2 million. These factors were partially offset by savings from our cost reduction initiatives and prior restructuring actions of $7 million and lower excess and obsolete inventory costs of $5 million.

The lower Innerwear segment operating profit in the first quarter of 2008 compared to 2007 is primarily attributable to lower gross profit on lower sales volume, higher MAP expenses of $10 million and higher technology consulting expenses of $5 million partially offset by savings from prior restructuring actions of $5 million and lower distribution expenses of $2 million and $3 million of lower spending in numerous other areas. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to each segment. The allocation methodology for the consolidated selling, general and administrative expenses for the first quarter of 2008 is consistent with 2007. Our consolidated selling, general and administrative expenses before segment allocations was flat in the first quarter of 2008 compared to 2007.

Outerwear

	Quarter Ended March 29, 2008	Quarter Ended March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$272,205	$283,635	$(11,430)	(4.0)%
Segment operating profit	16,417	6,100	10,317	169.1

Net sales in the Outerwear segment were lower by $11 million or 4.0% in the first quarter of 2008 compared to 2007 primarily as a result of lower sales of promotional t-shirts sold primarily through our embellishment channel of $7 million and lower sales of retail casualwear of $6 million. *Champion* brand activewear net sales for the first quarter of 2008 was $2 million higher as compared to 2007.

As a percent of segment net sales, gross profit percentage in the Outerwear segment was 23.9% in the first quarter of 2008 compared to 18.9% in 2007. The higher gross profit is primarily attributable to lower production costs of $10 million, favorable product sales mix of $7 million and savings from our cost reduction initiatives and prior restructuring actions of $4 million offset primarily by higher excess and obsolete inventory costs of $4 million, lower sales volume of $3 million and higher sales incentives of $3 million.

The higher Outerwear segment operating profit in the first quarter of 2008 compared to 2007 is primarily attributable to higher gross profit and savings from our cost reduction initiatives and prior restructuring actions of $3 million offset by higher technology consulting expenses of $2 million and $2 million of higher spending in numerous other areas. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to each segment. The allocation methodology for the consolidated selling, general and administrative expenses for the first quarter of 2008 is consistent with 2007. Our consolidated selling, general and administrative expenses before segment allocations was flat in the first quarter of 2008 compared to 2007.

Hosiery

	Quarter Ended			
	March 29, 2008	March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$66,741	$73,693	$(6,952)	(9.4)%
Segment operating profit	24,121	20,045	4,076	20.3

Net sales in the Hosiery segment were lower by $7 million or 9.4% in the first quarter of 2008 compared to 2007 primarily due to lower sales of the *Hanes* brand to national chains and department stores and the *L'eggs* brand to mass retailers and food and drug stores. We expect the trend of declining hosiery sales to continue consistent with the overall decline in the industry and with shifts in consumer preferences.

As a percent of segment net sales, gross profit percentage was 53.0% in the first quarter of 2008 compared to 45.7% in 2007 primarily due to lower production costs of $3 million and lower sales incentives of $2 million. These lower expenses were partially offset by an unfavorable product sales mix of $4 million.

Hosiery segment operating profit was higher in the first quarter of 2008 compared to 2007 primarily due to the improvement in gross profit, savings from our cost reduction initiatives and prior restructuring actions of $1 million and lower non media related MAP expenses of $1 million. A significant portion of the selling, general and administrative expenses in each segment is an allocation of our consolidated selling, general and administrative expenses, however certain expenses that are specifically identifiable to a segment are charged directly to each segment. The allocation methodology for the consolidated selling, general and administrative expenses for the first quarter of 2008 is consistent with 2007. Our consolidated selling, general and administrative expenses before segment allocations was flat in the first quarter of 2008 compared to 2007.

International

	Quarter Ended			
	March 29, 2008	March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$104,636	$90,777	$13,859	15.3%
Segment operating profit	14,804	7,778	7,026	90.3

Overall net sales in the International segment were higher by $14 million or 15.3% in the first quarter of 2008 compared to 2007. During the first quarter of 2008 we experienced higher net sales, in each case including the impact of foreign currency, in Europe of $5 million, Canada of $5 million and Latin America of $3 million. The growth in our European casualwear business was driven by the strength of the *Stedman* brand that is sold in the embellishment channel. Changes in foreign currency exchange rates had a favorable impact on net sales of $11 million in the first quarter of 2008 compared to 2007. The favorable foreign currency exchange rate impact was primarily due to the strengthening of the Canadian dollar, Euro, Japanese yen and Brazilian real.

As a percent of segment net sales, gross profit percentage was 42.6% in the first quarter of 2008 compared to 40.9% in 2007. The higher gross profit was primarily attributable to a favorable impact related to foreign currency exchange rates of $5 million and a favorable product sales mix of $4 million.

The higher International segment operating profit in the first quarter of 2008 compared to 2007 is primarily attributable to the higher gross profit from higher sales volume. Changes in foreign currency exchange rates, which are included in the impact on gross profit above, had a favorable impact on segment operating profit of $2 million in the first quarter of 2008 compared to 2007.

Other

	Quarter Ended			
	March 29, 2008	March 31, 2007	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	$11,121	$15,398	$(4,277)	(27.8)%
Segment operating profit	(840)	(775)	(65)	(8.4)

Overall lower net sales from our Other segment were primarily due to lower sales of nonfinished fabric and other materials to third parties in the first quarter of 2008 as compared to 2007. Net sales in this segment are generated for the purpose of maintaining asset utilization at certain manufacturing facilities and generating break even margins.

General Corporate Expenses

General corporate expenses were lower in the first quarter of 2008 compared to 2007 primarily due to higher foreign exchange transaction gains of $3 million and $2 million of lower start-up and shut-down costs.

Liquidity and Capital Resources

Trends and Uncertainties Affecting Liquidity

Our primary sources of liquidity are our cash flows from operating activities and availability under our revolving loan facility. At March 29, 2008, we have in excess of $600 million of liquidity, which consists of $436 million of borrowing availability under our undrawn $500 million revolving loan facility (after taking into account outstanding letters of credit), $121 million in cash and cash equivalents and $96 million of borrowing availability under our international loan facilities. We currently believe that our cash provided from operating activities, together with our available credit capacity, will enable us to comply with the terms of our indebtedness and meet foreseeable liquidity requirements.

The following has or is expected to impact liquidity:

- we have principal and interest obligations under our long-term debt;
- we expect to continue to invest in efforts to improve operating efficiencies and lower costs;
- we expect to continue to add new manufacturing capacity in Central America, the Caribbean Basin and Asia;
- we anticipate that we will decrease the portion of the income of our foreign subsidiaries that is expected to be remitted to the United States, which could significantly decrease our effective income tax rate; and
- we expect to repurchase up to 10 million shares of our stock in the open market over the next few years, 1.9 million of which we have repurchased as of March 29, 2008.

We expect to continue our restructuring efforts as we continue to execute our consolidation and globalization strategy. The implementation of these efforts, which are designed to improve operating efficiencies and lower costs, has resulted and is likely to continue to result in significant costs and savings. As further plans are developed and approved by management and in some cases our board of directors, we expect to recognize additional restructuring to eliminate duplicative functions within the organization and transition a significant portion of our manufacturing capacity to lower-cost locations. As part of our efforts to consolidate our operations, we also expect to continue to incur costs associated with the integration of our information technology systems across our company over the next several years. This process involves the replacement of eight independent information technology platforms so that our business functions are served by fewer platforms.

While capital spending could vary significantly from year to year, we anticipate that our capital spending over the next three years could be as high as $500 million as we execute our supply chain consolidation and globalization strategy and complete the integration and consolidation of our technology systems. Capital spending in any given year over the next three years could be as high as $100 million in excess of our annual depreciation and amortization expense until the completion of actions related to our globalization strategy at which time we would expect our annual capital spending to be relatively comparable to our annual depreciation and amortization expense. The majority of our capital spending will be focused on growing our supply chain operations in Central America, the Caribbean Basin and Asia. These locations will enable us to expand and leverage our large production scale as we balance our supply chain across hemispheres.

As we continue to add new manufacturing capacity in Central America, the Caribbean Basin and Asia, our exposure to events that could disrupt our foreign supply chain, including political instability, acts of war or terrorism or other international events resulting in the disruption of trade, disruptions in shipping and freight forwarding services, increases in oil prices (which would increase the cost of shipping), interruptions in the availability of basic services and infrastructure and fluctuations in foreign currency exchange rates, is increased. Disruptions in our foreign supply chain could negatively impact our liquidity by interrupting production in facilities outside the United States, increasing our cost of sales, disrupting merchandise deliveries, delaying receipt of the products into the United States or preventing us from sourcing our products at all. Depending on timing, these events could also result in lost sales, cancellation charges or excessive markdowns.

Our U.S. qualified pension plans are currently approximately 97% funded which should result in minimal pension funding requirements in the future. Due to the current funded status of the plans, we are not required to make any mandatory contributions to our pension plans in 2008.

Consolidated Cash Flows

The information presented below for the quarters ended March 29, 2008 and March 31, 2007 was derived from our consolidated financial statements.

	Quarter Ended	
	March 29, 2008	March 31, 2007
	(dollars in thousands)	
Operating activities	$ (19,481)	$ (591)
Investing activities	(20,510)	(3,500)
Financing activities	(13,740)	(2,759)
Effect of changes in foreign currency exchange rates on cash	288	167
Decrease in cash and cash equivalents	$ (53,443)	$ (6,683)
Cash and cash equivalents at beginning of year	174,236	155,973
Cash and cash equivalents at end of period	$ 120,793	$ 149,290

Operating Activities

Net cash used in operating activities was $19 million in the first quarter of 2008 compared to $1 million in 2007. The higher cash used in operating activities of $18 million is attributable to the higher uses of our working capital which was primarily driven by changes in inventory and accrued liabilities offset by accounts receivable. While inventory levels grew $107 million from December 2007 year-end levels as we build for back-to-school programs, inventory levels are lower compared to the first quarter of 2007 by $30 million. We monitor our inventory levels to best balance current supply and demand with potential future demand that typically surges when consumers no longer postpone purchases in our product categories.

Investing Activities

Net cash used in investing activities was $21 million in the first quarter of 2008 compared to $4 million in 2007. The higher cash used in investing activities of $17 million was primarily the result of higher capital expenditures. During the first quarter of 2008 capital expenditures were $28 million as we continue to build out our textile and sewing network in Central America and Asia and invest in our technology strategic initiatives.

Financing Activities

Net cash used in financing activities was $14 million in the first quarter of 2008 compared to $3 million in 2007. The higher cash used in financing activities of $11 million was primarily the result of higher net repayments on notes payable of $3 million and stock repurchases of $8 million.

Cash and Cash Equivalents

As of March 29, 2008 and December 29, 2007, cash and cash equivalents were $121 million and $174 million, respectively. The lower cash and cash equivalents as of March 29, 2008 was primarily the result of net capital expenditures of $21 million, $8 million of stock repurchases, $6 million of net repayments on notes payable and $18 million related to other uses of working capital.

Critical Accounting Policies and Estimates

We have chosen accounting policies that we believe are appropriate to accurately and fairly report our operating results and financial position in conformity with accounting principles generally accepted in the United States. We apply these accounting policies in a consistent manner. Our significant accounting policies are discussed in Note 2, titled “Summary of Significant Accounting Policies,” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 29, 2007.

The application of critical accounting policies requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. These estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. We evaluate these estimates and assumptions on an ongoing basis and may retain outside consultants to assist in our evaluation. If actual results ultimately differ from previous estimates, the revisions are included in results of operations in the period in which the actual amounts become known. The critical accounting policies that involve the most significant management judgments and estimates used in preparation of our consolidated financial statements, or are the most sensitive to change from outside factors, are discussed in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 29, 2007. There have been no material changes during the first quarter ended March 29, 2008 in these policies.

Recently Issued Accounting Pronouncements

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, Fair Value Measurements (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 was effective for our financial assets and liabilities on December 30, 2007. The FASB approved a one-year deferral of the adoption of SFAS 157 as it relates to non-financial assets and liabilities with the issuance in February 2008 of FASB Staff Position FAS 157-2, Effective Date of FASB Statement No. 157, as a result of which implementation by us is now required on January 4, 2009. The partial adoption of SFAS 157 in the first quarter ended March 29, 2008 had no material impact on our financial condition, results of operations or cash flows, but resulted in certain additional disclosures reflected in Note 8 of the Condensed Consolidated Financial Statements.

SFAS 157 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We utilize market data or assumptions that market participants would use in pricing the asset or liability. SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in SFAS 157. The three valuation techniques are as follows:

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

We primarily apply the market approach for commodity derivatives and the income approach for interest rate and foreign currency derivatives for recurring fair value measurements and attempt to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

As of March 29, 2008, we held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. These consisted of our derivative instruments related to interest rates, foreign exchange rates and cotton. The fair values of cotton derivatives are determined based on quoted prices in public markets and are categorized as Level 1. The fair values of interest rate and foreign exchange rate derivatives are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2. We do not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the quarter ended March 29, 2008. There were no changes to our valuation technique used to measure asset and liability fair values on a recurring basis.

As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The determination of fair values incorporates various factors required under SFAS 157. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of our nonperformance risk on our liabilities.

Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115 (“SFAS 159”). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value under generally accepted accounting principles and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The provisions of SFAS 159 became effective for us on December 30, 2007. As permitted by SFAS 159, we elected not to adopt the fair value option.

Business Combinations

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (“SFAS 141R”). The objective of SFAS 141R is to improve the relevance, representational faithfulness, and comparability of the information that a company provides in its financial reports about a business combination and its effects. Under SFAS 141R, a company would be required to recognize the assets acquired, liabilities assumed, contractual contingencies and contingent consideration measured at their fair value at the acquisition date. It further requires that research and development assets acquired in a business combination that have no alternative future use be measured at their acquisition-date fair value and then immediately charged to expense, and that acquisition-related costs are to be recognized separately from the acquisition and expensed as incurred. Among other changes, this statement would also require that “negative goodwill” be recognized in earnings as a gain attributable to the acquisition, and any deferred tax benefits resulting from a business combination be recognized in income from continuing operations in the period of the combination. We are in the process of analyzing the impact of SFAS 141R, which is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued Statement No. 160, “Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51” (“SFAS 160”). The objective of this Statement is to improve the relevance, comparability, and transparency of the financial information that a company provides in its consolidated financial statements. SFAS 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company’s equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; that changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, that any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We do not believe that the adoption of SFAS 160 will have a material impact on our results of operations or financial position.

Disclosures About Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133 (“SFAS 161”). SFAS 161 expands the disclosure requirements of FASB Statement No. 133 about an entity’s derivative instruments and hedging activities to include more detailed qualitative disclosures and expanded quantitative disclosures. The provisions of SFAS 161 are effective for fiscal years beginning after November 15, 2008. We are currently evaluating the impact that SFAS 161 will have on our results of operations and financial position.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

We are required under the Senior Secured Credit Facility and the Second Lien Credit Facility to hedge a portion of our floating rate debt to reduce interest rate risk caused by floating rate debt issuance. At March 29, 2008, we have outstanding hedging arrangements whereby we capped the interest rate on $950 million of our floating rate debt at 5.75%. We also entered into interest rate swaps tied to the 3-month and 6-month LIBOR rates whereby we fixed the interest rate on an aggregate of $600 million of our floating rate debt. Approximately 67% of our total debt outstanding at March 29, 2008 is at a fixed or capped rate. Due to the recent significant changes in the credit markets, the fair values of our interest rate hedging instruments have decreased approximately $14.8 million during the first quarter ended March 29, 2008, which has been deferred into Accumulated Other Comprehensive Loss in our Condensed Consolidated Balance Sheet until the hedged transactions impact our earnings.

Cotton is the primary raw material we use to manufacture many of our products. While we attempt to protect our business from the volatility of the market price of cotton through short-term supply agreements and hedges, our business can be adversely affected by dramatic movements in cotton prices. The price of cotton has recently exceeded its historical trading range of 30 to 70 cents per pound. The price of cotton currently in our inventory has risen to the 70 cents per pound range which is the price that will impact our operating results in the third and fourth quarters of 2008. Additionally, the prices for the cotton crop grown this coming summer season, which will impact our operating results in 2009, have risen to the upper 70 cents per pound range. The ultimate effect of these pricing levels on our earnings cannot be quantified, as the effect of movements in cotton prices on industry selling prices are uncertain, but any dramatic increase in the price of cotton could have a material adverse effect on our business, results of operations, financial condition and cash flows.

There have been no other significant changes in our market risk exposures from those described in Item 7A of our Annual Report on Form 10-K for the year ended December 29, 2007.

Item 4. ***Controls and Procedures***

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

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

Item 4T. ***Controls and Procedures***

Not applicable.

PART II

Item 1. ***Legal Proceedings***

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

Item 1A. ***Risk Factors***

No updates to the report.

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

The following table provides information about purchases by Hanesbrands during the first quarter ended March 29, 2008 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(1)
12/30/07 — 02/02/08	—	$ —	—	8,387,006
02/03/08 — 03/01/08	334,980	24.69	334,980	8,052,026
03/02/08 — 03/29/08	—	—	—	8,052,026
Total	334,980	$ 24.69	334,980	8,052,026

(1) These repurchases were made pursuant to the repurchase program that was approved by our board of directors in January 2007 and announced in February 2007, which authorizes us to purchase up to 10 million shares of our common stock from time to time.

Item 3. ***Defaults Upon Senior Securities***

None.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of stockholders during the first quarter ended March 29, 2008.

Item 5. ***Other Information***

None.

Item 6. ***Exhibits***

The exhibits listed in the accompanying Exhibit Index on page E-1 are filed or furnished as part of this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HANESBRANDS INC.

By: /s/ E. Lee Wyatt Jr.

E. Lee Wyatt Jr.
Executive Vice President,
Chief Financial Officer

Date: May 6, 2008

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).
3.2	Articles Supplementary (Junior Participating Preferred Stock, Series A) (incorporated by reference from Exhibit 3.2 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).
3.3	Amended and Restated Bylaws of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 27, 2007).
3.4	Certificate of Formation of BA International, L.L.C. (incorporated by reference from Exhibit 3.4 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.5	Limited Liability Company Agreement of BA International, L.L.C. (incorporated by reference from Exhibit 3.5 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.6	Certificate of Incorporation of Caribesock, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.6 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.7	Bylaws of Caribesock, Inc. (incorporated by reference from Exhibit 3.7 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.8	Certificate of Incorporation of Caribetex, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.8 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.9	Bylaws of Caribetex, Inc. (incorporated by reference from Exhibit 3.9 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.10	Certificate of Formation of CASA International, LLC (incorporated by reference from Exhibit 3.10 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.11	Limited Liability Company Agreement of CASA International, LLC (incorporated by reference from Exhibit 3.11 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.12	Certificate of Incorporation of Ceibena Del, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.12 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.13	Bylaws of Ceibena Del, Inc. (incorporated by reference from Exhibit 3.13 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.14	Certificate of Formation of Hanes Menswear, LLC, together with Certificate of Conversion from a Corporation to a Limited Liability Company Pursuant to Section 18-214 of the Limited Liability Company Act and Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.14 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).

Exhibit Number	Description
3.15	Limited Liability Company Agreement of Hanes Menswear, LLC (incorporated by reference from Exhibit 3.15 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.16	Certificate of Incorporation of HPR, Inc., together with Certificate of Merger of Hanes Puerto Rico, Inc. into HPR, Inc. (now known as Hanes Puerto Rico, Inc.) (incorporated by reference from Exhibit 3.16 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.17	Bylaws of Hanes Puerto Rico, Inc. (incorporated by reference from Exhibit 3.17 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.18	Articles of Organization of Sara Lee Direct, LLC, together with Articles of Amendment reflecting the change of the entity's name to Hanesbrands Direct, LLC (incorporated by reference from Exhibit 3.18 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.19	Limited Liability Company Agreement of Sara Lee Direct, LLC (now known as Hanesbrands Direct, LLC) (incorporated by reference from Exhibit 3.19 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.20	Certificate of Incorporation of Sara Lee Distribution, Inc., together with Certificate of Amendment of Certificate of Incorporation of Sara Lee Distribution, Inc. reflecting the change of the entity's name to Hanesbrands Distribution, Inc. (incorporated by reference from Exhibit 3.20 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.21	Bylaws of Sara Lee Distribution, Inc. (now known as Hanesbrands Distribution, Inc.)(incorporated by reference from Exhibit 3.21 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.22	Certificate of Formation of HBI Branded Apparel Enterprises, LLC (incorporated by reference from Exhibit 3.22 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.23	Operating Agreement of HBI Branded Apparel Enterprises, LLC (incorporated by reference from Exhibit 3.23 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.24	Certificate of Incorporation of HBI Branded Apparel Limited, Inc. (incorporated by reference from Exhibit 3.24 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.25	Bylaws of HBI Branded Apparel Limited, Inc. (incorporated by reference from Exhibit 3.25 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.26	Certificate of Formation of HbI International, LLC (incorporated by reference from Exhibit 3.26 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.27	Limited Liability Company Agreement of HbI International, LLC (incorporated by reference from Exhibit 3.27 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.28	Certificate of Formation of SL Sourcing, LLC, together with Certificate of Amendment to the Certificate of Formation of SL Sourcing, LLC reflecting the change of the entity's name to HBI Sourcing, LLC (incorporated by reference from Exhibit 3.28 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).

Exhibit Number	Description
3.29	Limited Liability Company Agreement of SL Sourcing, LLC (now known as HBI Sourcing, LLC) (incorporated by reference from Exhibit 3.29 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.30	Certificate of Formation of Inner Self LLC (incorporated by reference from Exhibit 3.30 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.31	Limited Liability Company Agreement of Inner Self LLC (incorporated by reference from Exhibit 3.31 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.32	Certificate of Formation of Jasper-Costa Rica, L.L.C. (incorporated by reference from Exhibit 3.32 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.33	Amended and Restated Limited Liability Company Agreement of Jasper-Costa Rica, L.L.C.(incorporated by reference from Exhibit 3.33 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.34	Certificate of Formation of Playtex Dorado, LLC, together with Certificate of Conversion from a Corporation to a Limited Liability Company Pursuant to Section 18-214 of the Limited Liability Company Act (incorporated by reference from Exhibit 3.36 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.35	Amended and Restated Limited Liability Company Agreement of Playtex Dorado, LLC (incorporated by reference from Exhibit 3.37 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.36	Certificate of Incorporation of Playtex Industries, Inc. (incorporated by reference from Exhibit 3.38 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.37	Bylaws of Playtex Industries, Inc. (incorporated by reference from Exhibit 3.39 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.38	Certificate of Formation of Seamless Textiles, LLC, together with Certificate of Conversion from a Corporation to a Limited Liability Company Pursuant to Section 18-214 of the Limited Liability Company Act (incorporated by reference from Exhibit 3.40 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.39	Limited Liability Company Agreement of Seamless Textiles, LLC (incorporated by reference from Exhibit 3.41 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.40	Certificate of Incorporation of UPCR, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.42 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.41	Bylaws of UPCR, Inc. (incorporated by reference from Exhibit 3.43 to the Registrant’s Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).

Exhibit Number	Description
3.42	Certificate of Incorporation of UPEL, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.44 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.43	Bylaws of UPEL, Inc. (incorporated by reference from Exhibit 3.45 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
10.1	Severance/Change in Control Agreement dated February 26, 2008 between the Registrant and W. Howard Upchurch, Jr.
31.1	Certification of Richard A. Noll, Chief Executive Officer.
31.2	Certification of E. Lee Wyatt Jr., Chief Financial Officer.
32.1	Section 1350 Certification of Richard A. Noll, Chief Executive Officer.
32.2	Section 1350 Certification of E. Lee Wyatt Jr., Chief Financial Officer.

Exhibit 10.1

SEVERANCE/CHANGE IN CONTROL AGREEMENT

THIS SEVERANCE/CHANGE IN CONTROL AGREEMENT (the "*Agreement*"), is made and entered into this 26th day of February 2008, by and between Hanesbrands Inc., a Maryland corporation (the "*Company*"), and Howard Upchurch ("*Executive*").

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

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

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

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

(a) **Eligibility for Severance.**

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

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

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

(ii) **Ineligible Terminations**. Notwithstanding subparagraph (a)(i) next above, *Executive* shall not be eligible for any severance payments or benefits under this section 2 if his employment terminates under any of the following circumstances:

(A) A termination for *Cause*. For purposes of this *Agreement*, "*Cause"* means *Executive* has been convicted of (or pled guilty or no contest to) a felony or any crime involving fraud, embezzlement, theft, misrepresentation of financial impropriety; has willfully engaged in misconduct resulting in material harm to *Company*; has willfully failed to substantially perform duties after written notice; or is in willful violation of *Company* policies resulting in material harm to *Company*;

(B) A termination as the result of *Disability.* For purposes of this *Agreement "Disability"* shall mean a determination under *Company's* disability plan covering *Executive* that *Executive* is disabled;

(C) A termination due to death;

(D) A termination due to *Retirement*. For purposes of this *Agreement "Retirement"* shall mean *Executive's* voluntary termination of employment on or after *Executive's* attainment of the normal retirement age as defined in the Hanesbrands Inc. Pension and Retirement Plan (the "*Retirement Plan"*);

(E) A voluntary termination of employment other than at the request of *Company*;

(F) A termination following which *Executive* is immediately offered and accepts new employment with *Company*, or becomes a non-executive member of the Board;

(G) The transfer of *Executive's* employment to a subsidiary or affiliate of *Company* with his consent;

(H) A termination of employment that qualifies *Executive* to receive severance payments or benefits under section 3 below following a *Change in Control*; or

(I) Any other termination of employment under circumstances not described in subparagraph 2(a)(i).

(iii) **Characterization of Termination**. The characterization of *Executive's* termination shall be made by the *Committee* (as defined in section 5 below) which determination shall be final and binding.

(iv) **Termination Date**. For purposes of this section 2, *Executive's* "*Termination Date*" shall mean the date specified in the separation and release agreement described under section 2(e) below.

(b) **Severance Benefits Payable**. If *Executive* is terminated under circumstances described in subparagraph 2(a)(i), and not described in subparagraph 2(a)(ii), then in lieu of any benefits payable under any other severance plan of the *Company* of any type and in consideration of the separation and release agreement and the covenants contained herein, the following shall apply:

(i) *Executive* shall receive continued payment of his *Base Salary* (the "*Salary Portion of Severance*") during the "*Severance Period*". The "*Severance Period"* shall mean the number of months determined by multiplying the number of *Executive's* full years of employment with *Company* or any subsidiary or affiliate of *Company* by **two**; provided, however, that in no event shall the *Severance Period* be less than twelve months or more than twenty-four months. "*Base Salary"* shall mean the annual salary in effect for *Executive* immediately prior to his *Termination Date.* At the discretion of the *Committee*, *Executive* may receive an additional salary portion in an amount equal to as much as 100% of *Executive's* target bonus.

(ii) *Executive* shall receive a pro-rata amount (determined based upon the number of days from the first day of the *Company's* current fiscal year to *Executive's Termination Date* divided by the total number of days in the applicable performance period) of:

(A) The annual incentive, if any, payable under the *Annual Incentive Plan* in effect with respect to the fiscal year in which the *Termination Date* occurs based on actual fiscal year performance (the "*Annual Incentive Portion of Severance*"). "*Annual Incentive Plan"* means the Hanesbrands Inc. annual incentive plan in which *Executive* participates as of the *Termination Date*; and

(B) The long-term incentive payable under the *Omnibus Plan* in effect on *Executive's Termination Date* for any performance period or cycle that is at least fifty (50) percent completed prior to *Executive's Termination Date* and which relates to the period of his service prior to his *Termination Date*. The "*Omnibus Plan"* means the Hanesbrands Inc. Omnibus Incentive Plan of 2006, as amended from time to time, and any successor plan or plans. The long-term incentive described in this section ("*Long-Term Cash Incentive Plan*") includes cash long-term incentives, but does not include stock options, RSUs, or other equity awards.

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

(iii) Beginning on his *Termination Date*, *Executive* shall be eligible to elect continued coverage under the group medical and dental plan available to similarly situated senior executives. If *Executive* elects continuation coverage for medical coverage, dental coverage or both, *Company* shall subsidize the premium charged during the *Severance Period* so that the amount of such premium payable by such *Executive* shall equal the amount payable by an active executive of *Company* for similar coverage as adjusted from time to time; provided, however, that *Executive's* right to COBRA continuation coverage under any such group health plan shall be reduced by the number of months of medical and dental coverage otherwise provided pursuant to this subparagraph. The premium charged for any COBRA continuation coverage after the end of the *Severance Period* shall be entirely at *Executive's* expense and shall be different (greater) than the premium charged during the *Severance Period*. *Executive's* COBRA continuation coverage shall terminate in accordance with the COBRA continuation of coverage provisions under *Company's* group medical and dental plans. If *Executive* is eligible for early retirement under the terms of the *Retirement Plan* (or would become eligible if the *Severance Period* is considered as employment), then, after exhausting any COBRA continuation coverage under the group medical plan, *Executive* may elect to participate in any retiree medical plan available to similarly situated senior executives in accordance with the terms and conditions of such plan in effect on and after *Executive's Termination Date*; provided, that such retiree medical coverage shall not be available to *Executive* unless he or she elects such coverage within thirty (30) days following his *Termination Date*. The premium charged for such retiree medical coverage may be different (greater) than the premium charged an active employee for similar coverage;

(iv) Except as otherwise provided herein or in the applicable plan**,** participation in all other *Company* plans available to similarly situated senior executives including but not limited to, qualified pension plans, stock purchase plans, matching grant programs, 401(k) plans and ESOPs, personal accident insurance, travel accident insurance, short and long term disability insurance, and accidental death and dismemberment insurance, shall cease on *Executive's Termination Date*. During the *Severance Period, Company* shall continue to maintain life insurance covering *Executive* under *Company's* life insurance program. If *Executive* is eligible for early retirement or becomes eligible for early retirement during the *Severance Period*, then *Company* will continue to pay the premiums (or prepay the entire premium) so that *Executive* has a paid-up life insurance benefit equal to his annual salary on his *Termination Date*.

(c) **Payment of Severance**. The *Salary Portion of Severance* shall be paid in accordance with *Company's* payroll schedule, unless the *Committee* shall elect to pay the *Salary Portion of Severance* in a lump sum payment or a combination of regular payments and a lump sum payment. Any lump sum payment shall be made as soon as practicable following the *Termination Date*, but in no event later than the fifteenth day of the third month after the date of termination), unless *Company* reasonably determines that Section 409A of the United States Internal Revenue Code of 1986, as amended, and any successors thereto (the *"Code"*) will result in the imposition of additional tax on account of such payment before the expiration of the six-month period described in Section 409A(a)(2)(B)(i) in which case, all missed payments will be paid on the date that is six (6) months and one

(1) day following the date of *Executive's* separation from service (as defined in *Code* Section 409A) or, if earlier, the date of death of *Executive* (the "*Delayed Payment Date*"). The *Annual Incentive Portion of Severance*, if any, shall be paid in cash on the same date the active participants under the *Annual Incentive Plan* are paid. The *Long-Term Cash Incentive Plan* payout, if any, shall be paid in the same form and on the same date the active participants under the *Omnibus Plan* are paid. All payments hereunder shall be reduced by such amount as *Company* (or any subsidiary or affiliate of *Company*) may be required under all applicable federal, state, local or other laws or regulations to withhold or pay over with respect to such payment.

(d) **Termination of Benefits**. Notwithstanding any provisions in this *Agreement* to the contrary, all rights to receive or continue to receive severance payments and benefits under this section 2 shall cease on the earliest of: (i) the date *Executive* breaches any of the covenants in the separation and release agreement described in section 2(e); or (ii) the date *Executive* becomes reemployed by *Company* or any of its subsidiaries or affiliates.

(e) **Separation and Release Agreement**. No benefits under this section 2 shall be payable to *Executive* until *Executive* and *Company* have executed a separation and release agreement and the payment of severance benefits under this section 2 shall be subject to the terms and conditions of the separation and release agreement.

(f) **Death of Executive**. In the event that *Executive* shall die prior to the payment in full of any benefits described above as payable to *Executive* for *Involuntary Termination*, payments of such benefits shall cease on the date of *Executive's* death.

3. **Change in Control Benefits**.

(a) **Eligibility for Change in Control Benefits**.

(i) **Eligible Terminations**. If (A) within three (3) months preceding a *Change in Control*, the *Executive's* employment is terminated by the *Company* at the request of a third party in contemplation of a *Change in Control*, (B) within twenty-four (24) months following a *Change in Control*, *Executive*'s employment is terminated by *Company* other than on account of *Executive's* death, disability or retirement and other than for *Cause*, or (C) within twenty-four (24) months following a *Change in Control Executive* voluntarily terminates his employment for *Good Reason*, *Executive* shall be entitled to the *Change in Control* benefits as described in section 3(b) below.

(ii) **Good Reason**. For purposes of this section 3, *"Good Reason"* means the occurrence of any one or more of the following (without *Executive's* written consent after a *Change in Control*):

(A) A material adverse change in *Executive's* duties or responsibilities;

(B) A reduction in *Executive's* annual base salary except for any reduction of not more than ten (10) percent applicable to all senior executives;

(C) A material reduction in *Executive's* level of participation in any of *Company's* short- and/or long-term incentive compensation plans, or employee benefit or retirement plans, policies, practices or arrangements in which *Executive* participates except for any reduction applicable to all senior executives;

(D) The failure of any successor to *Company* to assume and agree to perform this *Agreement*;

(E) *Company's* requiring *Executive* to be based at an office location which is at least fifty (50) miles from his office location at the time of the *Change in Control*;

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

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

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

1) Any acquisition directly from *Company* (excluding any acquisition resulting from the exercise of a conversion or exchange privilege in respect of outstanding convertible or exchangeable securities unless such outstanding convertible

or exchangeable securities were acquired directly from *Company*);

2) Any acquisition by *Company*;

3) Any acquisition by an employee benefit plan (or related trust) sponsored or maintained by *Company* or any corporation controlled by *Company*; or

4) Any acquisition by any corporation pursuant to a reorganization, merger or consolidation involving *Company*, if, immediately after such reorganization, merger or consolidation, each of the conditions described in clauses (1), (2) and (3) of subparagraph 3(a)(iii)(B) below shall be satisfied; and provided further that, for purposes of clause (2) immediately above, if (i) any *Person* (other than *Company* or any employee benefit plan (or related trust) sponsored or maintained by *Company* or any corporation controlled by *Company*) shall become the beneficial owner of twenty (20) percent or more of the *Voting Stock* by reason of an acquisition of *Voting Stock* by *Company*, and (ii) such *Person* shall, after such acquisition by *Company*, become the beneficial owner of any additional shares of the *Voting Stock* and such beneficial ownership is publicly announced, then such additional beneficial ownership shall constitute a *Change in Control*; or

(B) Upon the consummation of a reorganization, merger or consolidation of *Company*, or a sale, lease, exchange or other transfer of all or substantially all of the assets of *Company*; excluding, however, any such reorganization, merger, consolidation, sale, lease, exchange or other transfer with respect to which, immediately after consummation of such transaction:

1) All or substantially all of the beneficial owners of the *Voting Stock* of *Company* outstanding immediately prior to such transaction continue to beneficially own, directly or indirectly (either by remaining outstanding or by being converted into voting securities of the entity resulting from such transaction), more than fifty (50) percent of the combined voting power of the voting securities of the entity resulting from such transaction (including, without limitation, *Company* or an entity which as a result of such transaction owns *Company* or all or substantially all of *Company*'s property or assets, directly or indirectly) (the "*Resulting Entity*") outstanding immediately after such transaction, in substantially the same proportions relative to each other as their ownership immediately prior to such transaction; and

2) No *Person* (other than any *Person* that beneficially owned, immediately prior to such reorganization, merger, consolidation, sale or other disposition, directly or indirectly, *Voting Stock* representing twenty (20) percent or more of the combined voting power of *Company's* then outstanding securities) beneficially owns, directly or indirectly, twenty (20) percent or more of the combined voting power of the then outstanding securities of the *Resulting Entity*; and

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

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

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

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

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

(i) In consideration of *Executive's* covenant in section 4 below, *Company* shall pay *Executive*:

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

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

(C) A lump sum payment equal to *Executive's* prorated *Long-Term Cash Incentive Plan* payment(as determined in accordance with subparagraph 2(b)(ii)(B) above; and

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

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

(ii) For a period of **two** months following *Executive's Termination Date* (the "*CIC Severance Period*"), *Executive* shall have the right to elect continuation of the health insurance, life insurance, personal accident insurance, travel accident insurance and accidental death and dismemberment insurance coverages which insurance coverages shall be provided at the same levels and the same costs in effect immediately prior to the *Change in Control*; provided, however, that *Executive's* right to COBRA continuation coverage under any group health plan shall be reduced by the number of months of coverage otherwise provided pursuant to this subparagraph. The premium charged for any COBRA continuation coverage after the end of the *CIC Severance Period* shall be entirely at *Executive's* expense and may be different (greater) than the premium charged during the *CIC Severance Period*. *Executive's* COBRA continuation coverage shall terminate in accordance with the COBRA continuation of coverage provisions under *Company's* group medical and dental plans. If *Executive* is eligible for early retirement under the terms of the *Retirement Plan* (or would become eligible if the *Severance Period* is considered as employment), then, after exhausting any COBRA continuation coverage under the group medical plan, *Executive* may elect to participate in any retiree medical plan available to similarly situated senior executives in accordance with the terms and conditions of such plan in effect on and after *Executive's Termination Date*; provided, that such retiree medical coverage shall not be available to *Executive* unless he or she elects such coverage within thirty (30) days following his *Termination Date*. The premium charged for such retiree medical coverage may be different from the premium charged an active employee for similar coverage;

(iii) If the aggregate benefits accrued by *Executive* as of the *Termination Date* under the savings and retirement plans sponsored by *Company* are not fully vested pursuant to the terms of the applicable plan(s), the difference between the benefits *Executive* is entitled to receive under such plans and the benefits he would have received had he been fully vested will be provided to *Executive* under the Hanesbrands Inc. Supplemental Employee Retirement Plan (the *"Supplemental Plan"*). In addition, for purposes of determining *Executive's* benefits under the *Supplemental Plan* and *Executive's* right to post-retirement medical benefits under *Company's* retiree medical plan, additional years of age and service credits equivalent to the length of the *CIC Severance Period* shall be included. However, *Executive* will not be eligible to begin receiving any retirement benefits under any such plans until the date he or she would otherwise be eligible to begin receiving benefits under such plans;

(iv) Except as otherwise provided herein or in the applicable plan, participation in all other plans of *Company* or any subsidiary or affiliate of *Company* available to similarly situated *Executives* of *Company*, shall cease on *Executive's Termination Date*.

(c) **Termination for Disability**. If *Executive's* employment is terminated due to *Disability* following a *Change in Control*, *Executive* shall receive his *Base Salary* through the *Termination Date*, at which time his benefits shall be determined in accordance with *Company's* disability, retirement, insurance and other applicable plans and programs then in effect, and *Executive* shall not be entitled to any other benefits provided by this *Agreement*.

(d) **Termination for Retirement or Death**. If *Executive's* employment is terminated by reason of his retirement or death following a *Change in Control*, *Executive's* benefits shall be determined in accordance with *Company's* retirement, survivor's benefits, insurance, and other applicable programs then in effect, and *Executive* shall not be entitled to any other benefits provided by this *Agreement*.

(e) **Termination for Cause, or Other Than for Good Reason or Retirement**. If *Executive's* employment is terminated either by *Company* for *Cause*, or voluntarily by *Executive* (other than for *Retirement* or *Good Reason*) following a *Change in Control*, *Company* shall pay *Executive* his full *Base Salary* and accrued vacation through the *Termination Date*, at the rate then in effect, plus all other amounts to which such *Executive* is entitled under any compensation plans of *Company*, at the time such payments are due, and *Company* shall have no further obligations to such *Executive* under this *Agreement*.

(f) **Separation and Release Agreement**. No benefits under this section 3 shall be payable to *Executive* until *Executive* and *Company* have executed a "*Separation and Release Agreement"* (in substantially the form attached hereto as Exhibit A) and the payment of change in control benefits under this section 3 shall be subject to the terms and conditions of the *Separation and Release Agreement*.

(g) **Deferred Compensation**. All amounts previously deferred by or accrued to the benefit of *Executive* under any nonqualified deferred compensation plan sponsored by *Company* (including, without limitation, any vested amounts deferred under incentive plans), together with any accrued earnings thereon, shall be paid in accordance with the terms of such plan following *Executive's* termination.

(h) **Notice of Termination**. Any termination of employment under this section 3 by *Company* or by *Executive* for *Good Reason* shall be communicated by a written notice which shall indicate the specific *Change in Control* termination provision relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of *Executive's* employment under the provision so indicated (a "*Notice of Termination")*.

(i) **Termination of Benefits**. All rights to receive or continue to receive severance payments and benefits pursuant to this section 3 by reason of a *Change in Control* shall cease on the date *Executive* becomes reemployed by *Company* or any of its subsidiaries or affiliates.

(j) **Form and Timing of Benefits**. Subject to the provisions of this section 3, the *Change in Control* benefits described herein shall be paid in cash to in a single lump sum as soon as practicable following the *Termination Date*, but in no event later than the fifteenth day of the third month after the date of termination, unless *Company* reasonably determines that *Code* Section 409A will result in the imposition of additional tax on account of such payment before the expiration of the six-month period described in *Code* Section 409A(a)(2)(B)(i) in which case such payment will be paid on the *Delayed Payment Date* as defined in section 2(c) of this *Agreement*.

(k) **Excise Tax Equalization Payment.** Subject to the limitation below, in the event that *Executive* becomes entitled to any payment or benefit under this section 3 (such benefits together with any other payments or benefits payable under any other agreement with, or plan or policy of, *Company* are referred to in the aggregate as the "*Total Payments*"), if all or any part of the *Total Payments* will be subject to the tax (the "*Excise Tax*") imposed by *Code* Section 4999 (or any similar tax that may hereafter be imposed), *Company* shall pay to *Executive* in cash an additional amount (the "*Gross-Up Payment*") such that the net amount retained by *Executive* after deduction of any *Excise Tax* on the *Total Payments* and any federal, state and local income tax, penalties, interest and *Excise Tax* upon the *Gross-Up Payment* provided for by this section 3 (including FICA and FUTA), shall be equal to the *Total Payments*. Any such payment shall be made by *Company* to *Executive* as soon as practical following the *Termination Date*, but in no event beyond twenty (20) days from such date. *Executive* shall only be entitled to a *Gross-Up Payment* under this section 3 if *Executive's* "parachute payments" (as such term is defined in *Code* Section 280G) exceed three hundred thirty percent (330%) (the "*Threshold*") of *Executive's* "base amount" (as determined under *Code* Section 280G(b)). In the event *Executive's* parachute payments do not exceed the *Threshold*, the benefits provided to such *Executive* under this *Agreement* that are classified as parachute payments shall be reduced such that the value of the *Total Payments* that *Executive* is entitled to receive shall be one dollar ($1) less than the maximum amount which such *Executive* may receive without becoming subject to the tax imposed by *Code* Section 4999, or which *Company* may pay without loss of deduction under *Code* Section 280G(a). For purposes of determining whether any of the *Total Payments* will be subject to the *Excise Tax*, the amounts of such *Excise Tax* and the amount of any *Gross Up Payment*, the following shall apply:

(i) Any other payments or benefits received or to be received by *Executive* in connection with a *Change in Control* or *Executive's* termination of employment (whether pursuant to the terms of this *Agreement* or any other plan, policy, arrangement or agreement with *Company*, or with any *Person* whose actions result in a *Change in Control* or any *Person* affiliated with *Company* or such *Person*s) shall be treated as "parachute payments" within the meaning of *Code* Section 280G(b)(2), and all "excess parachute payments" within the meaning of *Code* Section 280G(b)(1) shall be treated as subject to the *Excise Tax*, unless in the opinion of *Company's* tax counsel as supported by *Company's* independent auditors and acceptable to *Executive*, such other payments or benefits (in whole or in part) do not constitute parachute payments, or unless such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of *Code* Section 280G(b)(4) in excess of the base amount within the meaning of *Code* Section 280G(b)(3), or are otherwise not subject to the *Excise Tax*;

(ii) The amount of the *Total Payments* which shall be treated as subject to the *Excise Tax* shall be equal to the lesser of (A) the total amount of the *Total Payments*; or (B) the amount of excess parachute payments within the meaning of *Code* Section 280G(b)(1) (after applying the provisions of this section 3(i) above);

(iii) The value of any noncash benefits or any deferred payment or benefit shall be determined by *Company's* independent auditors in accordance with the principles of *Code* Sections 280G(d)(3) and (4);

(iv) *Executive* shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the *Gross-Up Payment* is to be made, and state and local income taxes at the highest marginal rate of taxation in the state and locality of *Executive's* residence on the *Termination Date*, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes;

(v) In the event the Internal Revenue Service adjusts any item included in *Company's* computations under this section 3(j) so that *Executive* did not receive the full net benefit intended under the provisions of this section 3(j), *Company* shall reimburse *Executive* for the full amount necessary to make *Executive* whole, plus a market rate of interest, as determined by the *Committee*; and

(vi) In the event the Internal Revenue Service adjusts any item included in *Company's* computations under this section 3(j) so that *Executive* is not required to pay the full amount of the excise tax assumed to have been owing in the determination of the *Gross-Up Payment* hereunder (or receives a refund of all or a portion of such excise tax), *Executive* shall repay to *Company* within twenty (20) days of the date the actual refund or credit of such portion has been made to *Executive* such portion of the *Gross-Up Payment* as shall exceed the amount of federal, state and local taxes actually determined to be owed together with such interest received or credited to him by such tax authority for the period he held such portion.

(l) **Company's Payment Obligation.** *Company's* obligation to make the payments and the arrangements provided in this section 3 shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which *Company* may have against *Executive* or anyone else. All amounts payable by *Company* under this section 3 shall be paid without notice or demand and each and every payment made by *Company* shall be final, and *Company* shall not seek to recover all or any part of such payment from *Executive* or from whomsoever may be entitled thereto, for any reason except as provided in section 3(j) above.

(m) **Other Employment.** *Executive* shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under this section 3, and the obtaining of any such other employment shall in no event result in any reduction of *Company's* obligations to make the payments and arrangements required to be made under this section 3, except to the extent otherwise specifically provided in this *Agreement*.

(n) **Payment of Legal Fees and Expenses.** To the extent permitted by law, *Company* shall pay all reasonable legal fees, costs of litigation or arbitration, prejudgment or pre-award interest, and other expenses incurred in good faith by *Executive* as a result of *Company's* refusal to provide benefits under this section 3, or as a result of *Company* contesting the validity, enforceability or interpretation of the provisions of this section 3, or as the result of any conflict (including conflicts related to the calculation of parachute payments or the characterization of *Executive's* termination) between *Executive* and *Company*;

provided that the conflict or dispute is resolved in *Executive's* favor and *Executive* acts in good faith in pursuing his rights under this section 3.

(o) **Arbitration for Change in Control Benefits**. Any dispute or controversy arising under or in connection with the benefits provided under this section 3 shall promptly and expeditiously be submitted to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association in effect at the time of such arbitration proceeding utilizing a panel of three (3) arbitrators sitting in a location selected by *Executive* within fifty (50) miles from the location of his employment with *Company*. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The costs and expenses of both parties, including, without limitation, attorneys' fees shall be borne by *Company*. Pending the resolution of any such dispute, controversy or claim, *Executive* (and his beneficiaries) shall, except to the extent that the arbitrator otherwise expressly provides, continue to receive all payments and benefits due under this section 3.

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

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

6. **Claims Procedure**. If *Executive* believes that he is entitled to receive severance benefits under this *Agreement*, he may file a claim in writing with the *Committee* within ninety (90) days after the date such *Executive* believes he or she should have received such benefits. No

later than ninety (90) days after the receipt of the claim, the *Committee* shall either allow or deny the claim in writing. A denial of a claim, in whole or in part, shall be written in a manner calculated to be understood by *Executive* and shall include the specific reason or reasons for the denial; specific reference to the pertinent provisions of this *Agreement* on which the denial is based; a description of any additional material or information necessary for *Executive* to perfect the claim and an explanation of why such material or information is necessary; and an explanation of the claim review procedure. *Executive* (or his duly authorized representative) may within sixty 60 days after receipt of the denial of his claim request a review upon written application to the *Committee*; review pertinent documents; and submit issues and comments in writing. The *Committee* shall notify *Executive* of its decision on review within sixty (60) days after receipt of a request for review unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one-hundred twenty (120) days after receipt of a request for review. Notice of the decision on review shall be in writing. The *Committee*'s decision on review shall be final and binding on *Executive* and any successor in interest. If *Executive* subsequently wishes to file a claim under Section 502(a) of ERISA, any legal action must be filed within ninety (90) days of the *Committee's* final decision. *Executive* must exhaust the claims procedure provided in this section 6 before filing a claim under ERISA with respect to any benefits provided under section 2 of this *Agreement*.

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

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

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

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

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

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

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

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

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

EXECUTIVE	HANESBRANDS INC.
/s/ W. Howard Upchurch, Jr.	By: /s/ Kevin W. Oliver
	Title: Executive Vice President, Human Resources

Exhibit A

MODEL FORM

SEPARATION AND RELEASE AGREEMENT

Hanesbrands Inc.(the "Company") and **[NAME_____]** ("Executive") enter into this Separation and Release Agreement which was received by Executive on the ___ day of ___, 200_, signed by Executive on the ___ day of ___, 200_, and is effective on the ___ day of ___, 200___ (the "Effective Date"). The Effective Date shall be no less than 7 days after the date signed by Executive.

W I T N E S S E T H:

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

WHEREAS, Executive's employment with the Company is terminated as of ___, 200___ (the "Termination Date"); and

WHEREAS, pursuant to that certain Severance/Change in Control Agreement between Company and Executive dated ___, 200___ (the "Change in Control Agreement"), upon a termination of Executive's employment that satisfies the conditions specified in the Change in Control Agreement, Executive is entitled to Change in Control benefits provided Executive executes a separation and release agreement acceptable to Company; and

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

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

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

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

3. **Receipt of Other Compensation**. Executive acknowledges and agrees that, other than as specifically set forth in the Change in Control Agreement or this Agreement, following the Termination Date, Executive is not and will not be due any compensation, including, but not limited to, compensation for unpaid salary (except for amounts unpaid and owing for Executive's

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

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

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

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

7. **Confidentiality**. At all times after the Effective Date, Executive will maintain the confidentiality of all information in whatever form concerning Company or any of its subsidiaries or affiliates relating to its or their businesses, customers, finances, strategic or other plans, marketing, employees, trade practices, trade secrets, know-how or other matters which are not generally known outside Company or any of its subsidiaries or affiliates, and Executive will not, directly or indirectly, make any disclosure thereof to anyone, or make any use thereof, on Executive's own behalf or on behalf of any third party, unless specifically requested by or agreed to in writing by an executive officer of Company. In addition, Executive agrees that Executive will not disclose the existence or terms of this Agreement to any third parties with the exception of Executive's accountants, attorneys, or spouse, and shall ensure that none of them discloses such existence or terms to any other person, except as required to comply with law. Executive will promptly return to Company all reports, files, memoranda, records, computer equipment and software, credit cards, cardkey passes, door and file keys, computer access codes or disks and instructional manuals, and other physical or personal property which Executive received or

prepared or helped prepare in connection with Executive's employment and Executive will not retain any copies, duplicates, reproductions or excerpts thereof. The obligations of this paragraph 7 shall survive the expiration of this Agreement.

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

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

10. **Release**.

(a) Executive on behalf of Executive, Executive's heirs, executors, administrators and assigns, does hereby knowingly and voluntarily release, acquit and forever discharge Company and all current and former parents, subsidiaries, related companies, successors, assigns and past, present and future directors, officers, employees, trustees and shareholders (the "Released Parties") from and against any and all complaints, claims, cross-claims, third-party claims, counterclaims, contribution claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses of any nature whatsoever, known or unknown, suspected or unsuspected, foreseen or unforeseen, matured or unmatured, which, at any time up to and including the date on which Executive signs this Agreement, exists, have existed, or may arise from any matter whatsoever occurring, including, but not limited to, any claims arising out of or in any way related to Executive's employment with Company or its subsidiaries or affiliates and the conclusion thereof, which Executive, or any of Executive's heirs, executors, administrators, assigns, affiliates, and agents ever had, now has or at any time hereafter may have, own or hold against any of the Released Parties based on any matter existing on or before the date on which Executive signs this Agreement. Nothing in this Agreement releases any claims that the law does not permit Executive to release, including claims for vested pension benefits accrued by Executive under any tax-qualified pension plan of the Corporation. Executive acknowledges that in exchange for this release, Company is providing Executive with total consideration, financial or otherwise, which exceeds what Executive would have been given without the release. By executing this Agreement, Executive is waiving, without limitation, all claims (except for the filing of a charge with an administrative agency) against the Released Parties arising under federal, state and local labor and antidiscrimination laws, any employment related claims under the employee Retirement Income Security Act of 1974, as amended, and any other restriction on the right to terminate employment, including, without limitation, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act of 1990, as amended, and the **North Carolina Equal Employment Practices Act, as amended [ADD ANY ADDITIONAL STATE LAW REFERENCES]**. Nothing herein shall release any party from any obligation under this Agreement. Executive acknowledges and agrees that this release and the covenant not to sue set forth in paragraph (c) below are essential and material terms of this Agreement and that, without such release and covenant not to sue, no agreement would have been reached by the parties and no benefits under the Change in Control Agreement would have been paid. Executive understands and acknowledges the significance and consequences of this release and this Agreement.

(b) EXECUTIVE SPECIFICALLY WAIVES AND RELEASES THE RELEASED PARTIES FROM ALL CLAIMS EXECUTIVE MAY HAVE AS OF THE DATE EXECUTIVE SIGNS THIS AGREEMENT REGARDING CLAIMS OR RIGHTS ARISING UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, 29 U.S.C. § 621 ("ADEA"). EXECUTIVE FURTHER AGREES: (i) THAT EXECUTIVE'S WAIVER OF RIGHTS UNDER THIS RELEASE IS KNOWING AND VOLUNTARY AND IN COMPLIANCE WITH THE OLDER WORKERS BENEFIT PROTECTION ACT OF 1990; (ii) THAT EXECUTIVE UNDERSTANDS THE TERMS OF THIS RELEASE; (iii) THAT EXECUTIVE'S WAIVER OF RIGHTS IN THIS RELEASE IS IN EXCHANGE FOR CONSIDERATION THAT WOULD NOT OTHERWISE BE OWING TO EXECUTIVE PURSUANT TO ANY PREEXISTING OBLIGATION OF ANY KIND HAD EXECUTIVE NOT SIGNED THIS RELEASE; (iv) THAT EXECUTIVE HEREBY IS AND HAS BEEN ADVISED IN WRITING BY COMPANY TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS RELEASE; (v) THAT COMPANY HAS GIVEN EXECUTIVE A PERIOD OF AT LEAST TWENTY-ONE (21) DAYS WITHIN WHICH TO CONSIDER THIS RELEASE; (vi) THAT EXECUTIVE REALIZES THAT FOLLOWING EXECUTIVE'S EXECUTION OF THIS RELEASE, EXECUTIVE HAS SEVEN (7) DAYS IN WHICH TO REVOKE THIS RELEASE BY WRITTEN NOTICE TO THE UNDERSIGNED, AND (vii) THAT THIS ENTIRE AGREEMENT SHALL BE VOID AND OF NO FORCE AND EFFECT IF EXECUTIVE CHOOSES TO SO REVOKE, AND IF EXECUTIVE CHOOSES NOT TO SO REVOKE, THAT THIS AGREEMENT AND RELEASE THEN BECOME EFFECTIVE AND ENFORCEABLE UPON THE EIGHTH DAY AFTER EXECUTIVE SIGNS THIS AGREEMENT.

(c) Executive represents and warrants that: (i) Executive has not filed or initiated any legal, equitable, administrative, or other proceeding(s) against any of the Released Parties; (ii) no such proceeding(s) have been initiated against any of the Released Parties on Executive's behalf; (iii) Executive is the sole owner of the actual or alleged claims, demands, rights, causes of action, and other matters that are released in this paragraph 10; (iv) the same have not been transferred or assigned or caused to be transferred or assigned to any other person, firm, corporation or other legal entity; and (v) Executive has the full right and power to grant, execute, and deliver the releases, undertakings, and agreements contained in this Agreement.

(d) The consideration offered herein is accepted by Executive as being in full accord, satisfaction, compromise and settlement of any and all claims or potential claims, and Executive expressly agrees that Executive is not entitled to and shall not receive any further payments, benefits, or other compensation or recovery of any kind from Company or any of the other Released Parties. Executive further agrees that in the event of any further proceedings whatsoever based upon any matter released herein, Company and each of the other Released Parties shall have no further monetary or other obligation of any kind to Executive, including without limitation any obligation for any costs, expenses and attorneys' fees incurred by or on behalf of Executive.

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

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

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

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

15. **Assignability**. The rights and benefits under this Agreement are personal to Executive and such rights and benefits shall not be subject to assignment, alienation or transfer, except to the extent such rights and benefits are lawfully available to the estate or beneficiaries of Executive upon death. Company may assign this Agreement to any parent, affiliate or subsidiary or any entity which at any time whether by merger, purchase, or otherwise acquires all or substantially all of the assets, stock or business of Company.

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

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

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

To Executive at:

[add address]

To the Company at:

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

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

EXECUTIVE	HANESBRANDS INC.	
______________________	By:	______________________
	Title:	______________________

Exhibit 31.1

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

I, Richard A. Noll, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hanesbrands Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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

Date: May 6, 2008

Exhibit 31.2

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

I, E. Lee Wyatt Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hanesbrands Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ E. Lee Wyatt Jr.

E. Lee Wyatt Jr.
Executive Vice President,
Chief Financial Officer

Date: May 6, 2008

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hanesbrands Inc. (“Hanesbrands”) on Form 10-Q for the fiscal quarter ended March 29, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard A. Noll, Chief Executive Officer of Hanesbrands, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Hanesbrands.

/s/ Richard A. Noll

Richard A. Noll
Chief Executive Officer

Date: May 6, 2008

The foregoing certification is being furnished to accompany Hanesbrands Inc.’s Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2008 (the “Report”) solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Hanesbrands Inc. that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Hanesbrands Inc. and will be retained by Hanesbrands Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hanesbrands Inc. (“Hanesbrands”) on Form 10-Q for the fiscal quarter ended March 29, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, E. Lee Wyatt, Jr., Chief Financial Officer of Hanesbrands, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Hanesbrands.

/s/ E. Lee Wyatt Jr.

E. Lee Wyatt Jr.
Executive Vice President,
Chief Financial Officer

Date: May 6, 2008

The foregoing certification is being furnished to accompany Hanesbrands Inc.’s Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2008 (the “Report”) solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Hanesbrands Inc. that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Hanesbrands Inc. and will be retained by Hanesbrands Inc. and furnished to the Securities and Exchange Commission or its staff upon request.