

Annual Report

HANES *Brands Inc*

Form 10-K for the Fiscal Year Ended
December 30, 2017



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number: 001-32891

Hanesbrands Inc.

(Exact name of registrant as specified in its charter)

Maryland
(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) 519-8080

(Registrant's telephone number including area code)

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

Common Stock, par value \$0.01 per share

Name of each exchange on which registered:
New York Stock Exchange

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of June 30, 2017, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$8,382,636,149 (based on the closing price of the common stock of \$23.16 per share on that date, as reported on the New York Stock Exchange and, for purposes of this computation only, the assumption that all of the registrant's directors and executive officers are affiliates and that beneficial holders of 5% or more of the outstanding common stock are not affiliates).

As of February 2, 2018, there were 360,243,037 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference to portions of the registrant's proxy statement for its 2018 annual meeting of stockholders.

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Forward-Looking Statements

This Annual Report on Form 10-K contains information that may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”). Forward-looking statements include all statements that do not relate solely to historical or current facts, and can generally be identified by the use of words such as “may,” “believe,” “will,” “expect,” “project,” “estimate,” “intend,” “anticipate,” “plan,” “continue” or similar expressions. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements regarding our intent, belief and current expectations about our strategic direction, prospects and future results are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described under “Risk Factors” and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission (“SEC”).

Where You Can Find More Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can read our SEC filings over the Internet at the SEC’s website at www.sec.gov. To receive copies of public records not posted to the SEC’s website at prescribed rates, you may complete an online form at www.sec.gov, send a fax to (202) 772-9337 or submit a written request to the SEC, Office of FOIA/PA Operations, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information.

We make available copies of materials we file with, or furnish to, the SEC free of charge at www.Hanes.com/investors (in the “Investors” section). By referring to our corporate website, www.Hanes.com/corporate, or any of our other websites, we do not incorporate any such website or its contents into this Annual Report on Form 10-K.

Part I

Item 1. Business

Company Overview

Hanesbrands Inc. (collectively with its subsidiaries, “Hanesbrands,” “we,” “us,” “our” or the “Company”) is a socially responsible leading marketer of everyday basic innerwear and activewear apparel in the Americas, Europe, Australia and Asia/Pacific under some of the world’s strongest apparel brands, including *Hanes*, *Champion*, *Bonds*, *Maidenform*, *DIM*, *Bali*, *Playtex*, *JMS/Just My Size*, *Nur Die/Nur Der*, *L’eggs*, *Lovable*, *Wonderbra*, *Berlei*, *Gear for Sports* and *Alternative*.

Unlike most apparel companies, Hanesbrands primarily operates its own manufacturing facilities. More than 70 percent of the apparel units that we sell are manufactured in our own plants or those of dedicated contractors. Our products are marketed to consumers shopping in mass merchants, mid-tier and department stores, specialty stores, e-commerce sites and our own consumer directed operations, which includes our outlet stores, retail stores and e-commerce sites.

We have a long history of innovation, product excellence and brand recognition and we are now using our Innovate-to-Elevate strategy to integrate our brand superiority, industry-leading innovation and low-cost global supply chain to provide higher value products while lowering production costs. Our Tagless apparel platform, ComfortFlex Fit bra platform, ComfortBlend fabric platform, temperature-control X-Temp fabric platform and FreshIQ advanced odor protection technology fabric platform incorporate big-idea innovation to span across brands, product categories, business segments, retailer and distribution channels and geographies.

We take great pride in our strong reputation for ethical business practices and the success of our Hanes for Good corporate responsibility program for community and environmental improvement. Hanesbrands was a U.S. Environmental Protection Agency Energy Star Sustained Excellence Award winner every year from 2012-2017 and Partner of the Year winner in 2010 and 2011. We are committed to the responsible management of energy, carbon emissions, water, wastewater, chemicals, solid waste and recycled materials in all of our facilities worldwide, and we report our progress annually. We are also a recognized leader for our community-building, philanthropy and workplace practices. More information about our Hanes for Good corporate responsibility initiatives may be found at www.HanesForGood.com.

Our fiscal year ends on the Saturday closest to December 31. All references to “2017”, “2016” and “2015” relate to the 52 week fiscal years ended on December 30, 2017, December 31, 2016 and January 2, 2016, respectively. A significant subsidiary of ours, Hanes Holdings Lux S.à.r.l. (formerly named DBA Lux Holding S.A.) (“Hanes Europe Innerwear”), had a 53 week fiscal year ended on January 2, 2016 as a result of aligning Hanes Europe Innerwear’s year end with ours in the year after acquisition. The difference in reporting one additional week of financial information for Hanes Europe Innerwear did not have a material impact on our financial condition, results of operations or cash flows.

Our Brands

Our portfolio of leading brands is designed to address the needs and wants of various consumer segments across a broad range of basic apparel products. Each of our brands has a unique consumer positioning that distinguishes it from its competitors and guides its advertising and product development. We discuss some of our most important brands in more detail below.

Hanes is the largest and most widely recognized brand in our portfolio. *Hanes* is the number one selling apparel brand in the U.S. and is found in eight out of 10 U.S. households. The *Hanes* brand covers all of our product categories, including men’s, women’s and children’s underwear, bras, socks, T-shirts, fleece, shapewear and sheer hosiery. *Hanes* stands for outstanding comfort, style and value. *Hanes* is one of the most widely distributed brands in apparel, with a presence across mass merchandise retailers, e-commerce sites, discount stores and department stores. Through collaborations with third parties, the brand has also gained distribution with specialty retailers like Supreme and Urban Outfitters and in high end retail establishments like Nordstrom, Barneys and Colette.

Champion is our second-largest brand. For nearly 100 years, *Champion* has been known for authentic American style and performance and helped pioneer some of the most important innovations in athleticwear, including reverse weave sweatshirts, mesh practice uniforms and sports bras. *Champion* athleticwear can be found in sporting goods retailers, e-commerce sites, department stores, college bookstores and specialty retailers, including Urban Outfitters, Zumiez and PacSun. In addition, we distribute a full

line of men’s, women’s and children’s C9 *Champion* products exclusively through Target Corporation (“Target”) stores. *Champion* has collaborated with designers and other iconic brands around the world, including Todd Snyder, Supreme, Off-White and Beams. The *Champion* brand’s momentum has been fueled by distribution growth and expansion of *Champion* retail stores across Europe and Asia. As we prepare for the brand’s centennial celebration, the *Champion* brand is poised to be a powerful global growth platform for Hanesbrands.

Our brand portfolio also includes a number of iconic intimate apparel brands. *Bonds* is an over century-old brand that is the number one brand of men’s underwear, women’s underwear, children’s underwear and socks in Australia. *Maidenform* is America’s number one shapewear brand and has been trusted for stylish, modern bras, panties and shapewear since 1922. *DIM* is a flagship European brand and a mass market leader in hosiery, men’s underwear, intimate apparel and socks in France. *Bali* offers a range of bras, panties and shapewear sold in the department store channel and is the number one bra brand in department stores. The *Playtex* brand is a recognized industry leader in supportive bras designed for the curvy woman and is sold everywhere from mass merchandise retailers to department stores.

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

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

Our Segments

In the first quarter of 2017, we realigned our reporting segments to reflect the new model under which the business will be managed and results will be reviewed by the chief executive officer, who is our chief operating decision maker. The former Direct to Consumer segment, which consisted of our U.S. value-based (“outlet”) stores, legacy catalog business and U.S. retail Internet operations, was eliminated. Our U.S. retail Internet operations, which sells products directly to consumers, is now reported in the respective Innerwear and Activewear segments. Other consists of our U.S. value-based (“outlet”) stores, U.S. hosiery business (previously reported in the Innerwear segment) and legacy catalog operations. Prior year segment sales and operating profit results have been revised to conform to the current year presentation.

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

The following table summarizes our operating segments by product category:

Segment	Primary Products	Primary Brands
Innerwear	Men’s underwear, women’s panties, children’s underwear and socks Intimate apparel, such as bras and shapewear	<i>Hanes</i> , <i>Champion</i> , <i>Maidenform</i> , <i>Bali</i> , <i>JMS/Just My Size</i> , Polo Ralph Lauren* <i>Maidenform</i> , <i>Bali</i> , <i>Playtex</i> , <i>Hanes</i> , <i>JMS/Just My Size</i> , DKNY,* Donna Karan*
Activewear	T-shirts, fleece, sport shirts, performance T-shirts and shorts, sports bras, thermals and teamwear	<i>Champion</i> , <i>Hanes</i> , <i>JMS/Just My Size</i> , <i>Hanes Beefy-T</i> , <i>Gear for Sports</i> , <i>Alternative</i>
International	Activewear, men’s underwear, women’s panties, children’s underwear, intimate apparel, socks, hosiery and home goods	<i>Champion</i> , <i>Bonds</i> , <i>DIM</i> , <i>Hanes</i> , <i>Sheridan</i> , <i>Playtex</i> , <i>Nur Die/Nur Der</i> , <i>Lovable</i> , <i>Wonderbra</i> , <i>Berlei</i> , <i>Maidenform</i> , <i>Abanderado</i> , <i>Shock Absorber</i> , <i>Zorba</i> , <i>Explorer</i> , Kendall,* <i>Sol y Oro</i> , Polo Ralph Lauren,* <i>Bellinda</i> , Donna Karan,* DKNY*

* Brand used under a license agreement.

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

Innerwear

The Innerwear segment focuses on core apparel products, such as men's underwear, women's panties, children's underwear, socks and intimate apparel marketed under well-known brands that are trusted by consumers. We are the intimate apparel category leader in the United States with our *Hanes*, *Maidenform*, *Bali*, *Playtex*, *JMS/Just My Size*, Donna Karan and DKNY brands, and we are also the leading manufacturer and marketer of men's underwear and children's underwear in the United States under the *Hanes*, *Champion* and Polo Ralph Lauren brands. During 2017, net sales from our Innerwear segment were \$2.5 billion, representing approximately 38% of total net sales.

Activewear

We are a leader in the activewear market through our *Champion*, *Hanes* and *JMS/Just My Size* brands, where we sell products such as T-shirts and fleece to both retailers and wholesalers. In addition to activewear for men and women, *Champion* provides uniforms for athletic programs and includes an apparel program, *C9 Champion*, at Target stores. We also license our *Champion* name for footwear and sports accessories. In our branded printwear category, we supply our T-shirts, sport shirts and fleece products, including brands such as *Hanes*, *Champion* and *Hanes Beefy-T*, to customers, primarily wholesalers, who then resell to screen printers and embellishers. We sell licensed logo apparel in the mass retail channel and in collegiate bookstores and other channels under our *Gear for Sports* and *Champion* brands. We also sell licensed collegiate logo apparel primarily in the mass retail channel under our *Knights Apparel* brand. We also offer a range of quality, comfortable clothing for men, women and children marketed under the *Hanes* and *JMS/Just My Size* brands. In 2017, we expanded our activewear offerings with the acquisition of the *Alternative* brand, a better basics lifestyle brand for men and women that is sold to the embellishment channel and the retail, online and consumer directed channels. During 2017, net sales from our Activewear segment were \$1.7 billion, representing approximately 26% of total net sales.

International

Our International segment includes products that primarily span across the Innerwear and Activewear reportable segments and are primarily marketed under the *DIM*, *Bonds*, *Champion*, *Hanes*, *Playtex*, *Nur Die/Nur Der*, *Sheridan*, *Lovable*, *Wonderbra*, *Maidenform*, *Shock Absorber*, *Abanderado*, *Berlei*, *Zorba*, Kendall, *Sol y Oro*, Polo Ralph Lauren, Fila, *Bellinda*, *Ritmo*, Donna Karan and DKNY brands. Our Innerwear brands are market leaders across Australia and Western and Central Europe. In the intimate apparel category, we hold the number two market share in France, Italy, Spain and Australia. We are also the category leader in men's underwear in Australia, France and Spain, and in hosiery in France and Germany. During 2017, net sales from our International segment were \$2.1 billion, representing approximately 32% of total net sales and included sales primarily in Europe, Australia, Asia, Latin America, Canada, the Middle East and Africa. Our largest international markets are Europe, Australia, Japan, Canada, Mexico, and Brazil.

Customers and Distribution Channels

In 2017, approximately 68% of our net sales were to customers in the United States and approximately 32% were to customers outside the United States. Domestically, approximately 81% of our net sales were wholesale sales to retailers, 15% were consumer directed and 4% were wholesale sales to wholesalers and third party embellishers. We have well-established relationships with some of the largest apparel retailers in the world. Our largest customers are Wal-Mart Stores, Inc. ("Wal-Mart") and Target, accounting for 18% and 13%, respectively, of our total net sales in 2017. As is common in the basic apparel industry, we generally do not have purchase agreements that obligate our customers to purchase our products. However, the majority of our key customer relationships have been in place for 10 years or more. Wal-Mart and Target are our only customers with sales that exceed 10% of our total net sales in 2017. In our Innerwear segment, Wal-Mart accounted for 34% of net sales and Target accounted for 17% of net sales during 2017. In our Activewear segment, Target accounted for 25% of net sales and Wal-Mart accounted for 16% of net sales.

Sales to the mass merchant channel in the United States accounted for approximately 31% of our total net sales in 2017. We sell all of our product categories in this channel, including our *Hanes*, *Champion*, *Playtex*, *Maidenform* and *JMS/Just My Size* brands, as well as licensed logo apparel. Mass merchants feature high-volume, low-cost sales of basic apparel items along with a diverse variety of consumer goods products, such as grocery and drug products and other hard lines, and are characterized by large retailers, such as Wal-Mart and Target. Our largest mass merchant customer is Wal-Mart, which accounted for approximately 18% of our total net sales in 2017.

Sales to the mid-tier and department stores channel in the United States accounted for approximately 8% of our total net sales in 2017. Mid-tier stores target a higher-income consumer than mass merchants, focus more of their sales on apparel items rather than other consumer goods such as grocery and drug products and are characterized by large retailers such as Kohl's, J.C. Penney Company, Inc. and Sears Holdings Corporation. We sell all of our product categories in this channel. Traditional department stores target higher-income consumers and carry more high-end, fashion conscious products than mid-tier stores or mass merchants and tend to operate in higher-income areas and commercial centers. Traditional department stores are characterized by large retailers such as Macy's, Inc. and Belk, Inc. We sell products in our intimate apparel, underwear, socks, hosiery and activewear categories through department stores.

Sales in the consumer directed channel in the United States accounted for approximately 10% of our total net sales in 2017. We sell products that span across the Innerwear and Activewear product categories in the e-commerce environment through our owned e-commerce websites and through pure play e-commerce sites, such as Amazon. We also sell a range of our products through our retail and value-based outlet stores, as well as through the e-commerce sites of our brick and mortar retail customers.

Sales in other channels in the United States represented approximately 19% of our total net sales in 2017. We sell T-shirts, golf and sport shirts and fleece sweatshirts to wholesalers and third party embellishers primarily under our Hanes, Champion and Hanes Beefy-T brands. We also sell a significant range of our underwear, activewear and socks products under the Champion brand to wholesale clubs, such as Costco Wholesale Corporation, and sporting goods stores, such as DICK'S Sporting Goods. We sell primarily legwear and underwear products under the Hanes and L'eggs brands to food, drug and variety stores. We also sell licensed logo apparel in collegiate bookstores. We sell products that span across our Innerwear and Activewear segments to the U.S. military for sale to servicemen and servicewomen and through discount retailers, such as the Dollar General Corporation.

Sales in our International segment represented approximately 32% of our total net sales in 2017, and included sales in Europe, Australia, Asia, Latin America and Canada. We also have offices in each of these markets, as well as the Philippines, Thailand, Argentina, South Africa and Central America. Internationally, approximately 69% of our net sales were wholesale sales to retailers and 31% of our net sales were consumer directed sales through our owned retail stores and e-commerce sites. For more information about our sales on a geographic basis, see Note, "Geographic Area Information," to our consolidated financial statements.

Manufacturing, Sourcing and Distribution

During 2017, approximately 73% of units sold were from finished goods manufactured through a combination of facilities we own and operate and facilities owned and operated by third party contractors who perform some of the steps in the manufacturing process for us, such as dyeing, cutting and/or sewing. We sourced the remainder of our finished goods from third party manufacturers who supply us with finished products based on our designs. In making decisions about the location of manufacturing operations and third party sources of supply, we consider a number of factors, including labor, local operating costs, geopolitical factors, product quality, regional infrastructure, applicable quotas and duties and freight costs. We believe that our balanced approach to product supply, which relies on a combination of owned, contracted and sourced manufacturing located across different geographic regions, increases the efficiency of our operations, reduces product costs and offers customers a reliable source of supply.

Finished Goods That Are Manufactured by Hanesbrands

The manufacturing process for the finished goods that we manufacture begins with raw materials we obtain from suppliers. The principal raw materials in our product categories are cotton and synthetics. Cotton and synthetic materials are typically spun into yarn by our suppliers, which is then knitted into cotton, synthetic and blended fabrics. We source all of our yarn requirements from large-scale domestic and international suppliers. To a lesser extent, we purchase fabric from several domestic and international suppliers in conjunction with scheduled production. In addition to cotton yarn and cotton-based textiles, we use thread, narrow elastic and trim for product identification, buttons, zippers, snaps and lace. These fabrics are cut and sewn into finished products, either by us or by third party contractors. We currently operate 50 manufacturing facilities. Most of our cutting and sewing operations are strategically located in Asia, Central America and the Caribbean Basin. Alternate sources of these materials and services are readily available.

Finished Goods That Are Manufactured by Third Parties

In addition to our own manufacturing capabilities, we also source finished goods we design from third-party manufacturers, also referred to as "turnkey products." Many of these turnkey products are sourced from international suppliers by our strategic sourcing hubs in Asia.

All contracted and sourced manufacturing must meet our high quality standards. Further, all contractors and third-party manufacturers must be preaudited and adhere to our strict supplier and business practices guidelines. These requirements provide strict standards that, among other things, cover hours of work, age of workers, health and safety conditions and conformity with local laws and Hanesbrands' standards. Each new supplier must be inspected and agree to comprehensive compliance terms prior to commencing any production on our behalf. We audit compliance with these standards against our 265 question, scored audit protocol using both internal and external audit teams. We are also a fully accredited participating company in the Fair Labor Association. For more information, visit www.HanesForGood.com.

Distribution

As of December 30, 2017, we distributed our products from 43 distribution centers. These facilities include 14 facilities located in the United States and 29 facilities located outside the United States in regions primarily where we sell our products. We internally manage and operate 32 of these facilities, and we use third party logistics providers who operate the other 11 facilities on our behalf. International distribution operations use a combination of third party logistics providers, as well as owned and operated distribution operations, to distribute goods to our various international markets.

Inventory

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

Seasonality and Other Factors

Our operating results are subject to some variability due to seasonality and other factors. For instance, we generally have higher sales during the back-to-school and holiday shopping seasons and during periods of cooler weather, which benefits certain product categories such as fleece. Our diverse range of product offerings, however, provides some mitigation to the impact of seasonal changes in demand for certain items. Sales levels in any period are also impacted by customer decisions to increase or decrease their inventory levels in response to anticipated consumer demand. Our customers may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice to us. Media, advertising and promotion expenses may vary from period to period during a fiscal year depending on the timing of our advertising campaigns for retail selling seasons and product introductions.

Product Innovation and Marketing

A significant component of our margin-enhancing Innovate-to-Elevate strategy is our strong product research and development and innovation capabilities. From 2015 to 2017, we spent nearly \$198 million on design, research and product development, including the development of new and improved products, including our Tagless apparel platform, ComfortFlex Fit bra platform, ComfortBlend fabric platform, temperature-control X-Temp fabric platform and FreshIQ advanced odor protection technology fabric platform.

Driving innovation platforms across brands and categories is a major element of our Innovate-to-Elevate strategy as it enables us to meet key consumer needs and leverage advertising dollars. During 2017, our advertising and promotion expense was approximately \$157 million, representing 2% of our total net sales. We advertise in consumer and trade publications, on radio and television and through digital initiatives including social media, online video and mobile platforms on the Internet. We also participate in cooperative advertising on a shared cost basis with major retailers in print and digital media and television.

Competition

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

Intellectual Property

We market our products under hundreds of trademarks in the United States and other countries around the world, the most widely recognized of which are *Hanes*, *Champion*, *C9 Champion*, *Bonds*, *Maidenform*, *DIM*, *Bali*, *Playtex*, *Sheridan*, *JMS/Just My Size*, *Nur Die/Nur Der*, *L'eggs*, *Lovable*, *Wonderbra*, *Berlei*, *Gear for Sports*, *Alternative*, *Shock Absorber*, *Abanderado*, and *Zorba*. Some of our products are sold under trademarks that have been licensed from third parties, such as Polo Ralph Lauren men's underwear and Donna Karan and DKNY intimate apparel.

Some of our own trademarks are licensed to third parties, such as *Champion* for athletic-oriented accessories. In the United States and Canada, the *Playtex* trademark is owned by Playtex Marketing Corporation, of which we own a 50% interest and which grants to us a perpetual royalty-free license to the *Playtex* trademark on and in connection with the sale of apparel in the United States and Canada. The other 50% interest in Playtex Marketing Corporation is owned by Playtex Products, LLC, an unrelated third party, whose affiliate, Edgewell Personal Care Brands, LLC, has a perpetual royalty-free license to the *Playtex* trademark on and in connection with the sale of non-apparel products in the United States and Canada. Outside the United States and Canada, we own the *Playtex* trademark and perpetually license such trademark to Edgewell Personal Care Brands, LLC for non-apparel products. The *Berlei* trademark is owned by Berlei IP Limited, of which we own a 50% interest and which grants to us an exclusive, perpetual royalty-free license to the *Berlei* trademark on and in connection with the sale of apparel in Australia and New Zealand. The other 50% interest in Berlei IP Limited is owned by PD Enterprise Limited, an unrelated third party, who has an exclusive, perpetual royalty-free license to the *Berlei* trademark on and in connection with the sale of apparel products in Japan and China. Outside of Australia, New Zealand, Japan and China, Berlei IP Limited and its wholly owned subsidiaries have the right to use the *Berlei* trademark on a worldwide basis. Our trademarks are important to our marketing efforts and have substantial value. We aggressively protect these trademarks from infringement and dilution through appropriate measures, including court actions and administrative proceedings.

Although the laws vary by jurisdiction, trademarks generally remain valid as long as they are in use and/or their registrations are properly maintained. Most of the trademarks in our portfolio, including our core brands, are covered by trademark registrations in the countries of the world in which we do business, in addition to many other jurisdictions around the world, with a registration period of 10 years in most countries. Generally, trademark registrations can be renewed indefinitely as long as the trademarks are in use. We have an active program designed to ensure that our trademarks are registered, renewed, protected and maintained. We plan to continue to use all of our core trademarks and plan to renew the registrations for such trademarks as needed. We also own a number of copyrights.

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

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

Geographic Financial Summary

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

Governmental Regulation and Environmental Matters

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

We are subject to various federal, state, local and foreign laws and regulations that govern our activities, operations and products that may have adverse environmental and health and safety effects, including laws and regulations relating to generating emissions, water discharges, waste, product and packaging content and workplace safety. Noncompliance with these laws and regulations may result in substantial monetary penalties and criminal sanctions. We are aware of hazardous substances or petroleum releases at certain of our facilities and are working with the relevant environmental authorities to investigate and address such releases. We also have been identified as a “potentially responsible party” at certain waste disposal sites undergoing investigation and cleanup under the federal Comprehensive Environmental Response, Compensation and Liability Act (commonly known as Superfund) or state Superfund equivalent programs. Where we have determined that a liability has been incurred and the amount of the loss can reasonably be estimated, we have accrued amounts in our balance sheet for losses related to these sites. Compliance with environmental laws and regulations and our remedial environmental obligations historically have not had a material impact on our operations, and we are not aware of any proposed regulations or remedial obligations that could trigger significant costs or capital expenditures in connection with such compliance.

Corporate Social Responsibility

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

We call our corporate social responsibility program “Hanes for Good” because adhering to responsible and sustainable business practices is good for our company, good for our employees, good for our communities and good for our investors. We own the majority of our supply chain and have more direct control over how we do business than many of our competitors. More than 73% of the apparel units that we sell is produced in facilities that we operate or control. We also have an industry-leading compliance program that helps to ensure our business partners live up to the high standards that we set for ourselves.

We have been recognized for our socially responsible business practices by such organizations as the U.S. Environmental Protection Agency Energy Star program, corporate responsibility advocate As You Sow, social compliance rating group Free2Work, the United Way, Corporate Responsibility magazine and others. In fact, Richard Noll, our Non-Executive Chairman and former Chief Executive Officer, received the 2016 Responsible CEO of the Year award from Corporate Responsibility magazine. We are also members of the Fair Labor Association, Sustainable Apparel Coalition, The Sustainability Consortium and Corporate Eco Forum.

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

Employees

As of December 30, 2017, we had approximately 67,200 employees, approximately 8,000 of whom were located in the United States. As of December 30, 2017, less than 50 employees in the United States were covered by collective bargaining agreements. A significant portion of our employees based in foreign countries are represented by works councils or unions or subject to trade-sponsored or governmental agreements. We believe our relationships with our employees are good.

Item 1 A. Risk Factors

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

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

The basic apparel market is highly competitive and evolving rapidly. Competition is generally based upon brand, comfort, fit, style and price. Our businesses face competition today from other large domestic and foreign corporations and manufacturers, as well as mass merchant retailers, department stores and other retailers, including many of our customers, that market and sell basic apparel products under private labels that compete directly with our brands. Also, online retail shopping is rapidly evolving, and we expect competition in the e-commerce market to intensify in the future as the Internet facilitates competitive entry and comparison shopping. If we do not successfully develop and maintain a relevant omni-channel experience for our customers, our businesses and results of operations could be adversely impacted. Increased competition may result in a loss of or a reduction in shelf space and promotional support and reduced prices, in each case decreasing our cash flows, operating margins and profitability. Our ability to identify and capitalize on retail trends, including technology, e-commerce and other process efficiencies to gain market share and better service our customer base will, in large part, determine our future success. If we fail to compete successfully, our market share, results of operations and financial condition will be materially and adversely affected.

The rapidly changing retail environment could result in the loss of or material reduction in sales to certain of our customers, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

The retail environment is highly competitive. Consumers are increasingly embracing shopping online and through mobile commerce applications. As a result, a greater portion of total consumer expenditures with retailers is occurring online and through mobile commerce applications. If our brick-and-mortar retail customers fail to maintain or grow their overall market position through the integration of physical retail presence and digital retail, these customers may experience financial difficulties including store closures, bankruptcies or liquidations. This could, in turn, substantially reduce our revenues, increase our credit risk and have a material adverse effect on our results of operations, financial condition and cash flows.

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

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

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

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

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

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

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

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

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

A growing percentage of our total revenues (approximately 32% in 2017) is derived from markets outside the United States. We sell a majority of our products in transactions denominated in U.S. dollars; however, we purchase many of our raw materials, pay a portion of our wages and make other payments to participants in our supply chain in foreign currencies. As a result, when the U.S. dollar weakens against any of these currencies, our cost of sales could increase substantially. Outside the United States, we may pay for materials or finished products in U.S. dollars, and in some cases a strengthening of the U.S. dollar could effectively increase our costs where we use foreign currency to purchase the U.S. dollars we need to make such payments. Changes on foreign currency exchange rates could have an adverse impact on our financial condition, results of operations and cash flows.

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

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

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

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

During 2017, net sales from our International segment were \$2.1 billion, representing approximately 32% of total net sales. In addition, a significant amount of our manufacturing and production operations are located, or our products are sourced from, outside the United States. As a result, our business is subject to risks associated with international operations. These risks include the burdens of complying with foreign laws and regulations, unexpected changes in tariffs, taxes or regulatory requirements, and political unrest and corruption.

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

Countries in which our products are manufactured or sold may from time to time impose additional new regulations, or modify existing regulations, including:

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

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

Recently, political discourse in the United States has increasingly focused on ways to discourage U.S. corporations from outsourcing manufacturing and production activities to foreign jurisdictions. Many prominent government officials have publicly addressed the need to discourage these practices through television, news publications and social media platforms, including through the possibility of imposing tariffs or other penalties on goods manufactured outside the United States to attempt to discourage these practices. During 2017, the United States has withdrawn from some of its existing trade agreements and it has also been suggested that the United States may materially modify or withdraw from other trade agreements. Any of these actions, if ultimately enacted, could adversely affect our results of operations or profitability. Further, our image, the reputation of our brands and our stock price may be adversely affected if we are publicly singled out for criticism by government officials as a result of our foreign operations.

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

In addition, in June 2016, voters in the United Kingdom approved an advisory referendum to withdraw from the European Union, commonly referred to as “Brexit.” This referendum has created political and economic uncertainty, particularly in the United Kingdom and the European Union, and this uncertainty may persist for years. The withdrawal could significantly disrupt the free movement of goods, services, and people between the United Kingdom and the European Union, and result in increased legal and regulatory complexities, as well as potential higher costs of conducting business in Europe. The United Kingdom’s vote to exit the European Union could also result in similar referendums or votes in other European countries in which we do business. The

uncertainty surrounding the terms of the United Kingdom's withdrawal and its consequences could adversely impact consumer and investor confidence, and the level of consumer purchases of discretionary items and retail products, including our products. Any of these effects, among others, could materially adversely affect our business, results of operations, and financial condition.

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

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

Acquired businesses may not achieve expected results of operations, including expected levels of revenues, and may require unanticipated costs and expenditures. In addition, following completion of an acquisition, we may not be able to maintain the levels of revenue, earnings or operating efficiency that we and the acquired business have achieved or might achieve separately. Acquired businesses may also subject us to liabilities that we were unable to discover in the course of our due diligence, and our rights to indemnification from the sellers of such other businesses, even if obtained, may not be sufficient to offset the relevant liabilities. In addition, the integration of newly acquired businesses may be expensive and time-consuming and may not be entirely successful. Integration of the acquired businesses may also place additional pressures on our systems of internal control over financial reporting. The process of integrating the operations of acquired businesses could cause an interruption of, or loss of momentum in, the activities of one or more of our combined businesses and the possible loss of key personnel. If we are unable to successfully integrate any newly acquired business or if the acquired businesses fail to produce targeted results, it could have an adverse effect on our results of operations or financial condition.

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

In 2017, our top 10 customers accounted for approximately 46% of our total net sales and our top two customers, Wal-Mart and Target accounted for 18% and 13% of our total net sales, respectively. We expect that these customers will continue to represent a significant portion of our net sales in the future. Moreover, our top customers are the largest market participants in our primary distribution channels across all of our product lines. We generally do not enter into purchase agreements that obligate our customers to purchase our products, and as a result, most of our sales are made on a purchase order basis. A decision by any of our top customers to significantly decrease the volume of products purchased from us could substantially reduce revenues and may have a material adverse effect on our business, results of operations, financial condition and cash flows. In addition, if any of our customers devote less selling space to apparel products, our sales to those customers could be reduced even if we maintain our share of their apparel business. Any such reduction in apparel selling space could result in lower sales and our business, results of operations, financial condition and cash flows may be adversely affected.

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

We have a complex multinational tax structure with multiple types of intercompany transactions, and our allocation of profits and losses among us and our subsidiaries through our intercompany transfer pricing agreements is subject to review by the Internal Revenue Service and other tax authorities. Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations, accounting principles

or interpretations thereof. In order to service our debt obligations, we may need to increase portions of income remitted to the United States from our foreign subsidiaries, which may increase our income tax expense. In addition, we are also subject to the continuous examination of our income tax returns and related transfer pricing documentation by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these continuous examinations will not have an adverse effect on our operating results and financial condition. Additionally, changes in tax laws, regulations, future jurisdictional profitability of us and our subsidiaries, and related regulatory interpretations in the countries in which we operate may impact the taxes we pay or tax provision we record, as well as our capital deployment strategy, which could adversely affect our results of operations.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted. The Tax Act significantly revised U.S. corporate income tax law by, among other things, reducing the corporate income tax rate to 21%, introducing a new minimum tax on global intangible low-taxed income (“GILTI”) and implementing a modified territorial tax system that includes a one-time transition tax on deemed repatriated earnings from foreign subsidiaries. We have estimated the impact of the newly enacted law by incorporating assumptions made based upon our current interpretation and analysis to date of the Tax Act. Some of the tax provisions that become effective during fiscal year 2018 are expected to increase our effective tax rate, such as the new GILTI tax regime. The actual impact of the Tax Act may differ from our estimates due to, among other things, further refinement of our calculations as allowed under Staff Accounting Bulletin No. 118 (“SAB 118”), changes in interpretations and assumptions we have made, guidance that may be issued and actions we may take as a result of the Tax Act.

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

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

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

We purchase all of the raw materials used in our products and approximately 27% of the units sold derived from apparel designed by us from a limited number of third party suppliers and manufacturers. Our ability to meet our customers’ needs depends on our ability to maintain an uninterrupted supply of raw materials and finished products from our third party suppliers and manufacturers. Our business, financial condition or results of operations could be adversely affected if any of our principal third party suppliers or manufacturers experience financial difficulties that they are not able to overcome resulting from worldwide economic conditions, production problems, difficulties in sourcing raw materials, lack of capacity or transportation disruptions, or if for these or other reasons they raise the prices of the raw materials or finished products we purchase from them. The magnitude of this risk depends upon the timing of any interruptions, the materials or products that the third party manufacturers provide and the volume of production.

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

The success of our business is tied to the strength and reputation of our brands. If the reputation of one or more of our brands erodes significantly, it could have a material impact on our financial results.

Many of our brands have worldwide recognition, and our financial success is directly dependent on the success of our brands. The success of a brand can suffer if our marketing plans or product initiatives do not have the desired impact on a brand's image or its ability to attract consumers. Our results could also be negatively impacted if one of our brands suffers substantial harm to its reputation due to a significant product recall, product-related litigation or the sale of counterfeit products. Additionally, negative or inaccurate postings or comments on social media or networking websites about the Company, its practices or one of its brands could generate adverse publicity that could damage the reputation of our brands.

We also license some of our important trademarks to third parties. For example, we license *Champion* to third parties for athletic-oriented accessories. Although we make concerted efforts to protect our brands through quality control mechanisms and contractual obligations imposed on our licensees, there is a risk that some licensees may not be in full compliance with those mechanisms and obligations. If the reputation of one or more of our brands is significantly eroded, it could adversely affect our sales, results of operations, cash flows and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

We have a complex global supply chain and distribution network that supports our ability consistently to provide our products to our customers. Should we experience a local or regional disaster or other business continuity problem, such as an earthquake, tsunami, terrorist attack, pandemic or other natural or man-made disaster, our continued success will depend, in part, on the safety and availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other systems and operations. While our operational size, the diversity of locations from which we operate, and our redundant back-up systems provide us with a strong advantage should we experience a local or regional disaster or other business continuity event, we could still experience operational challenges, in particular depending upon how a local or regional event may affect our human capital across our operations or with regard to particular aspects of our operations, such as key executive officers or personnel in our technology group. If we cannot respond to disruptions in our operations, for example, by finding alternative suppliers or replacing capacity at key manufacturing or distribution locations, or cannot quickly repair damage to our information, production or supply systems, we may be late in delivering, or be unable to deliver, products to our customers. These events could result in reputational damage, lost sales, cancellation charges or excessive markdowns. All of the foregoing can have an adverse effect on our business, results of operations, financial condition and cash flows.

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

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

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

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

In addition, economic conditions, including decreased access to credit, may result in financial difficulties leading to restructurings, bankruptcies, liquidations and other unfavorable events for our suppliers of raw materials and finished goods, logistics and other service providers and financial institutions which are counterparties to our credit facilities and derivatives transactions. In addition, the inability of these third parties to overcome these difficulties may increase. If third parties on which we rely for raw materials, finished goods or services are unable to overcome financial difficulties and provide us with the materials and services we need, or if counterparties to our credit facilities or derivatives transactions do not perform their obligations, our business, results of operations, financial condition and cash flows could be adversely affected.

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

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

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

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

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

Our indebtedness primarily includes (i) a \$1.0 billion revolving loan facility (the "Revolving Loan Facility"), a \$750 million term loan a facility (the "Term Loan A"), a \$500 million term loan b facility (the "Term Loan B"), a AUD\$200 million Australian term a-1 loan facility (the "Australian Term A-1") and an AUD\$65 million Australian revolving loan facility (the "Australian Revolver"

and together with the Revolving Loan Facility, the Term Loan A, the Term Loan B, the Australian Term A-1 and the Australian Revolver, the “Senior Secured Credit Facility”), (ii) our \$900 million 4.625% Senior Notes due 2024 (the “4.625% Senior Notes”) and our \$900 million 4.875% Senior Notes due 2026 (the “4.875% Senior Notes”), (iii) our €500 million 3.5% Senior Notes due 2024 (the “3.5% Senior Notes”) and (iv) a \$275 million accounts receivable securitization facility (the “Accounts Receivable Securitization Facility”).

The Senior Secured Credit Facility contains restrictions that affect, and in some cases significantly limit or prohibit, among other things, our ability to borrow funds, pay dividends or make other distributions, make investments, engage in transactions with affiliates, or create liens on our assets. Covenants in the Senior Secured Credit Facility and the Accounts Receivable Securitization Facility require us to maintain a minimum interest coverage ratio and a maximum total debt to EBITDA (earnings before interest, income taxes, depreciation expense and amortization), or leverage ratio. The indentures governing the Senior Notes also restrict our ability to incur additional secured indebtedness in an amount that exceeds the greater of (a) \$3.0 billion or (b) the amount that would cause our consolidated secured net debt ratio to exceed 3.25 to 1.00, as well as certain other customary covenants and restrictions. These restrictions and covenants could limit our ability to obtain additional capital in the future to fund capital expenditures or acquisitions, meet our debt payment obligations and capital commitments, fund any operating losses or future development of our business affiliates, obtain lower borrowing costs that are available from secured lenders or engage in advantageous transactions that monetize our assets or conduct other necessary or prudent corporate activities. Any failure to comply with these covenants and restrictions could result in an event of default that accelerates the maturity of our indebtedness under such facilities, resulting in an adverse effect on our business.

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

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

The plan assets of our pension plans, which had a return of approximately 11% during 2017 and a return of approximately 3% during 2016, are invested mainly in domestic and international equities, bonds, hedge funds and real estate. We are unable to predict the variations in asset values or the severity or duration of any disruptions in the financial markets or adverse economic conditions in the United States, Europe and Asia. The funded status of these plans, and the related cost reflected in our consolidated financial statements, are affected by various factors that are subject to an inherent degree of uncertainty, particularly in the current economic environment. Under the Pension Protection Act of 2006 (the “Pension Protection Act”), losses of asset values may necessitate increased funding of the plans in the future to meet minimum federal government requirements. Under the Pension Protection Act funding rules, our U.S. qualified pension plan is approximately 94% funded as of December 30, 2017. Any downward pressure on the asset values of these plans may require us to fund obligations earlier than we had originally planned, which would have a negative impact on cash flows from operations.

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

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

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

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

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

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

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

As of December 30, 2017, we had approximately \$1.2 billion of goodwill and \$1.4 billion of trademarks and other identifiable intangibles on our balance sheet, which together represent 37% of our total assets. No impairment was identified in 2017. Changes in the future outlook of a business unit could result in an impairment loss, which could have a material adverse effect on our results of operations and financial condition.

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

As of December 30, 2017, we had approximately \$197 million of net deferred tax assets on our balance sheet, which represents approximately 3% of our total assets. Deferred tax assets relate to temporary differences (differences between the assets and liabilities in the consolidated financial statements and the assets and liabilities in the calculation of taxable income). The recognition of deferred tax assets is reduced by a valuation allowance if it is more likely than not that the tax benefits associated with the deferred tax benefits will not be realized. If we are unable to generate sufficient future taxable income in certain jurisdictions, or if there is a significant change in the actual effective tax rates or the time period within which the underlying temporary differences become taxable or deductible, we could be required to increase the valuation allowances against our deferred tax assets, which would cause an increase in our effective tax rate. A significant increase in our effective tax rate could have a material adverse effect on our financial condition or results of operations.

We had approximately 67,200 employees worldwide as of December 30, 2017, and our business operations and financial performance could be adversely affected by changes in our relationship with our employees or changes to U.S. or foreign employment regulations.

We had approximately 67,200 employees worldwide as of December 30, 2017. This means we have a significant exposure to changes in domestic and foreign laws governing our relationships with our employees, including wage and hour laws and regulations, fair labor standards, minimum wage requirements, overtime pay, unemployment tax rates, workers' compensation rates, citizenship

requirements and payroll taxes, which likely would have a direct impact on our operating costs. Approximately 59,200 of those employees were outside of the United States. A significant increase in minimum wage or overtime rates in countries where we have employees could have a significant impact on our operating costs and may require that we relocate those operations or take other steps to mitigate such increases, all of which may cause us to incur additional costs, expend resources responding to such increases and lower our margins.

In addition, less than 50 of our employees in the United States and a significant number of our international employees are members of labor organizations or are covered by collective bargaining agreements. If there were a significant increase in the number of our employees who are members of labor organizations or become parties to collective bargaining agreements, we would become vulnerable to a strike, work stoppage or other labor action by these employees that could have an adverse effect on our business.

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

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

Our bylaws provide that nominations of persons for election to our Board of Directors and the proposal of business to be considered at a stockholders meeting may be made only in the notice of the meeting, by or at the direction of our Board of Directors or by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures of our bylaws. Also, under Maryland law, business combinations between us and an interested stockholder or an affiliate of an interested stockholder, including mergers, consolidations, share exchanges or, in circumstances specified in the statute, asset transfers or issuances or reclassifications of equity securities, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. An interested stockholder includes any person who beneficially owns 10% or more of the voting power of our stock or any affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our stock. A person is not an interested stockholder under the statute if our Board of Directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, our Board of Directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by our Board. After the five-year prohibition, any business combination between us and an interested stockholder generally must be recommended by our Board of Directors and approved by two supermajority votes or our common stockholders must receive a minimum price, as defined under Maryland law, for their shares. The statute permits various exemptions from its provisions, including business combinations that are exempted by our Board of Directors prior to the time that the interested stockholder becomes an interested stockholder.

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

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Executive Officers of the Registrant

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

Name	Age	Positions
Gerald W. Evans, Jr.	58	Chief Executive Officer
Barry A. Hytinen	43	Chief Financial Officer
Joia M. Johnson	57	Chief Administrative Officer, General Counsel and Corporate Secretary
W. Howard Upchurch	53	Group President, Innerwear Americas
John T. Marsh	52	Group President, Global Activewear
Michael E. Faircloth	52	Group President, Global Supply Chain, Information Technology and E-Commerce
M. Scott Lewis	47	Chief Accounting Officer and Controller

Gerald W. Evans, Jr. has served as the Chief Executive Officer of the Company since October 2016. From August 2013 until October 2016, Mr. Evans served as Chief Operating Officer of the Company. From October 2011 until August 2013, Mr. Evans served as Co-Chief Operating Officer of the Company. Prior to his appointment as Co-Chief Operating Officer, Mr. Evans served as our Co-Operating Officer, President International, from November 2010 until October 2011. From February 2009 until November 2010, he was our President, International Business and Global Supply Chain. From February 2008 until February 2009, he served as our President, Global Supply Chain and Asia Business Development. From September 2006 until February 2008, he served as Executive Vice President, Chief Supply Chain Officer. From July 2005 until September 2006, Mr. Evans served as a Vice President of Sara Lee and as Chief Supply Chain Officer of Sara Lee Branded Apparel. Mr. Evans served as President and Chief Executive Officer of Sara Lee Sportswear and Underwear from March 2003 until June 2005 and as President and Chief Executive Officer of Sara Lee Sportswear from March 1999 to February 2003.

Barry A. Hytinen has served as our Chief Financial Officer since October 2017. Prior to his appointment as Chief Financial Officer and since 2015, Mr. Hytinen served as Executive Vice President and Chief Financial Officer of Tempur Sealy International, Inc. (“Tempur Sealy International”), a publicly traded global bedding manufacturer. Prior to that role and since 2005, he served in a range of finance, corporate development, financial planning and investor relations roles at Tempur Sealy International, including as Executive Vice President, Corporate Development and Finance. Prior to joining Tempur Sealy International, Mr. Hytinen served as Chief Financial Officer of Fogbreak Software, a venture-backed software company. Earlier in his career, he held finance and corporate development positions at Vignette and General Electric.

Joia M. Johnson has served as our Chief Administrative Officer since October 2016 and as our General Counsel and Corporate Secretary since January 2007. Since 2007, Ms. Johnson has also served as our Chief Legal Officer. From May 2000 until January 2007, Ms. Johnson served as Executive Vice President, General Counsel and Corporate Secretary of RARE Hospitality International, Inc., an owner, operator and franchisor of national chain restaurants acquired by Darden Restaurants, Inc. in October 2007. Ms. Johnson currently serves on the Board of Directors of Crawford & Company, the world’s largest independent provider of claims management solutions to the risk management and insurance industry.

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

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

Michael E. Faircloth has served as our Group President, Global Supply Chain, Information Technology and E-Commerce since January 2018. He served as our President, Chief Global Supply Chain and Information Technology Officer from 2014 to 2017 and as our Chief Global Operations Officer (a position previously known as President, Chief Global Supply Chain Officer) from 2010 to 2014. Prior to his appointment as Chief Global Operations Officer, Mr. Faircloth served as our Senior Vice President, Supply Chain Support from October 2009 to November 2010, as our Vice President, Supply Chain Support from March 2009 to September 2009 and as our Vice President of Engineering & Quality from July 2006 to March 2009. Prior to the completion of the Company's spin off from Sara Lee, Mr. Faircloth served as Vice President, Industrialization of Sara Lee.

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

Item 2. Properties

We own and lease properties supporting our administrative, manufacturing, distribution and direct outlet activities. As of December 30, 2017, we owned and leased properties in 39 countries, including 50 manufacturing facilities and 43 distribution centers, as well as office facilities. The leases for these properties expire between 2018 and 2049, with the exception of some seasonal warehouses that we lease on a month-by-month basis. As of December 30, 2017, we also operated 245 direct outlet stores in the United States and the Commonwealth of Puerto Rico and 475 retail and outlet stores internationally, most of which are leased under five-year, renewable lease agreements and several of which are leased under 10-year agreements. We believe that our facilities, as well as equipment, are in good condition and meet our current business needs.

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

Our products are manufactured through a combination of facilities we own and operate and facilities owned and operated by third party contractors who perform some of the steps in the manufacturing process for us, such as cutting and/or sewing. We source the remainder of our finished goods from third party manufacturers who supply us with finished products based on our designs. Our most significant manufacturing facilities include an approximately 1.1 million square-foot owned facility located in San Juan Opico, El Salvador, an approximately 660,000 square-foot owned facility located in Cadca, Slovakia and an approximately 600,000 square-foot owned facility located in Bonao, Dominican Republic. We distribute our products from 43 distribution centers. These facilities include 14 facilities located in the United States and 29 facilities located outside the United States in regions where we manufacture our products. Our most significant distribution facilities include an approximately 1.3 million square-foot leased facility located in Perris, California, an approximately 900,000 square-foot leased facility located in Rural Hall, North Carolina and an approximately 700,000 square-foot owned facility located in Martinsville, Virginia.

The following table summarizes the properties primarily used by our segments as of December 30, 2017:

	Owned Square Feet	Leased Square Feet	Total
Properties by Segment (1)			
Innerwear	2,347,885	5,864,949	8,212,834
Activewear	2,458,519	3,033,133	5,491,652
International	2,831,800	3,539,278	6,371,078
Other	303,445	1,099,990	1,403,435
Totals	7,941,649	13,537,350	21,478,999

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

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

Market for our Common Stock

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

The following table sets forth the high and low sales prices for our common stock as reported by the NYSE for each quarter during the last two fiscal years.

	High	Low
2017		
Quarter Ended April 1, 2017	\$23.98	\$18.91
Quarter Ended July 1, 2017	\$23.32	\$20.04
Quarter Ended September 30, 2017	\$25.73	\$22.38
Quarter Ended December 30, 2017	\$25.00	\$18.90
2016		
Quarter Ended April 2, 2016	\$31.36	\$23.25
Quarter Ended July 2, 2016	\$30.42	\$24.96
Quarter Ended October 1, 2016	\$28.24	\$24.14
Quarter Ended December 31, 2016	\$27.07	\$21.40

Holder of Record

On January 30, 2018, there were 16,534 holders of record of our common stock. Because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we are unable to determine the exact number of beneficial stockholders represented by these record holders, but we believe that there were approximately 222,095 beneficial owners of our common stock as of January 30, 2018.

Dividends

In 2015, our Board of Directors declared regular quarterly dividends of \$0.10 per share on outstanding common stock, which were paid in 2015. On March 3, 2015, we effected a four-for-one stock split in the form of a 300% stock dividend to stockholders of record as of the close of business on February 9, 2015.

In 2016, our Board of Directors increased our regular quarterly dividend rate to \$0.11 per share on outstanding common stock, which were paid in 2016.

In January 2017, our Board of Directors increased the regular quarterly dividend rate to \$0.15 per share on outstanding common stock. During the fiscal year, regular quarterly cash dividends of \$0.15 per share were paid on March 7, 2017, June 6, 2017, September 6, 2017 and December 5, 2017.

In February 2018, our Board of Directors declared a regular quarterly cash dividend of \$0.15 per share on outstanding common stock to be paid on March 13, 2018 to stockholders of record at the close of business on February 20, 2018.

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

Issuer Repurchases of Equity Securities

The following table sets forth our repurchases of our common stock, on a trade date basis, during the fiscal quarter ended December 30, 2017 under the share repurchase program authorized by our Board of Directors in 2016.

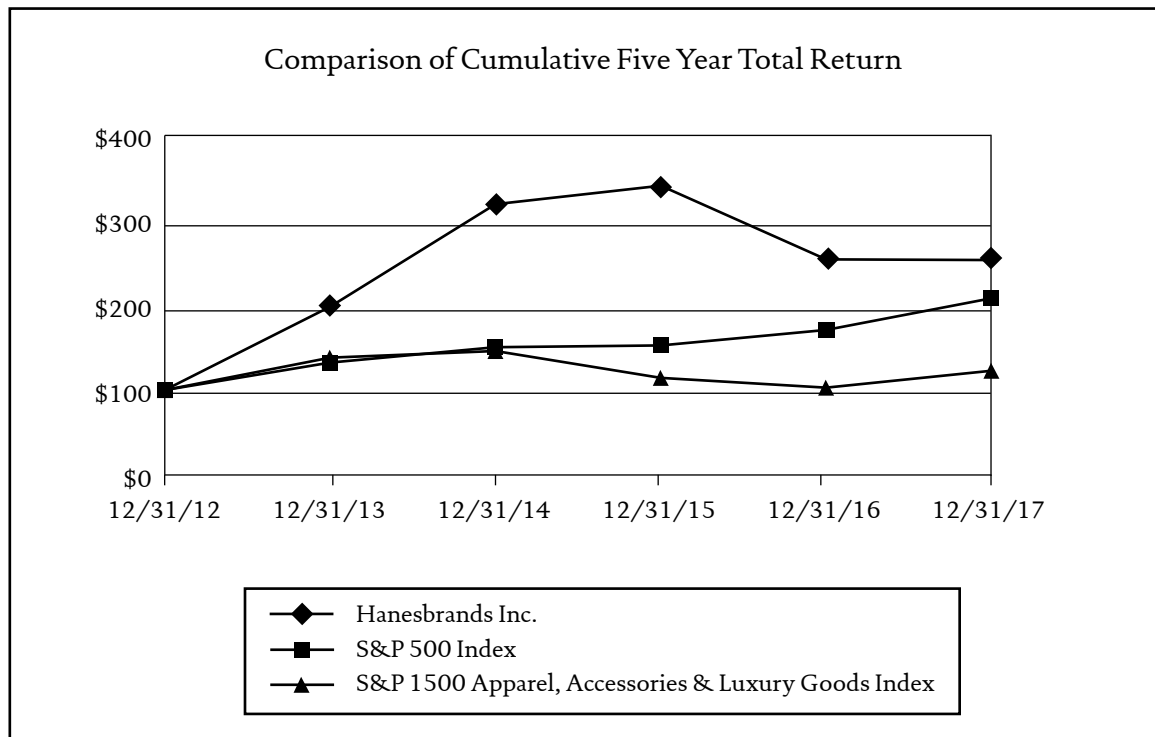
	Total Number of Shares Purchased	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Program (1)	Maximum Number of Shares that May Yet Be Purchased under the Program (1)
October 1, 2017 to November 4, 2017	—	\$ —	—	25,303,666
November 5, 2017 to December 2, 2017	3,954,610	20.06	3,954,610	21,349,056
December 3, 2017 to December 30, 2017	989,449	20.89	989,449	20,359,607
Total	4,944,059		4,944,059	

- (1) On April 27, 2016, our Board of Directors approved a share repurchase program for up to 40 million shares to be repurchased in open market transactions, subject to market conditions, legal requirements and other factors.
- (2) Average price paid per share for shares purchased as part of our publicly-announced plan.

We net settle our employee stock option exercises and restricted stock unit and performance stock unit vestings, which results in the withholding of shares to cover the option exercise price and the minimum statutory withholding tax obligations that we are required to pay in cash to the applicable taxing authorities on behalf of our employees. We do not consider these transactions to be common stock repurchases.

Performance Graph

The following graph compares the cumulative total stockholder return on our common stock with the comparable cumulative return of the S&P 500 Index and the S&P 1500 Apparel, Accessories & Luxury Goods Index. The graph assumes that \$100 was invested in our common stock and each index on December 27, 2012. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



Equity Compensation Plan Information

The following table provides information about our equity compensation plans as of December 30, 2017:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (1)
	(amounts in thousands, except per share data)		
Equity compensation plans approved by security holders	5,232	\$16.76	13,262
Equity compensation plans not approved by security holders	—	—	—
Total	5,232	\$16.76	13,262

- (1) The amount appearing under “Number of securities remaining available for future issuance under equity compensation plans” includes 9,533 shares available under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) and 3,729 shares available under the Hanesbrands Inc. Employee Stock Purchase Plan of 2006.

Item 6. Selected Financial Data

The following table presents our selected historical financial data. The statement of income data for the years ended December 30, 2017, December 31, 2016 and January 2, 2016 and the balance sheet data as of December 30, 2017 and December 31, 2016 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The statement of income data for the years ended January 3, 2015 and December 28, 2013 and the balance sheet data as of January 2, 2016, January 3, 2015 and December 28, 2013 has been derived from our consolidated financial statements not included in this Annual Report on Form 10-K.

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

	Years Ended				
	December 30, 2017	December 31, 2016	January 2, 2016	January 3, 2015	December 28, 2013
(amounts in thousands, except per share data)					
Statement of Income Data:					
Net sales	\$6,471,410	\$6,028,199	\$5,731,549	\$5,324,746	\$4,627,802
Operating profit	723,068	775,649	595,118	563,954	515,186
Income from continuing operations	63,991	536,927	428,855	404,519	330,494
Income (loss) from discontinued operations, net of tax	(2,097)	2,455	—	—	—
Net income	\$61,894	\$539,382	\$428,855	\$404,519	\$330,494
Earnings (loss) per share — basic:					
Continuing operations	\$0.17	\$1.41	\$1.07	\$1.01	\$0.83
Discontinued operations	(0.01)	0.01	—	—	—
Net income	\$0.17	\$1.41	\$1.07	\$1.01	\$0.83
Earnings (loss) per share — diluted:					
Continuing operations	\$0.17	\$1.40	\$1.06	\$0.99	\$0.81
Discontinued operations	(0.01)	0.01	—	—	—
Net income	\$0.17	\$1.40	\$1.06	\$0.99	\$0.81
Dividends per share	\$0.60	\$0.44	\$0.40	\$0.30	\$0.15

	Years Ended				
	December 30, 2017	December 31, 2016	January 2, 2016	January 3, 2015	December 28, 2013
	(in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	\$421,566	\$460,245	\$319,169	\$239,855	\$115,863
Working capital	1,607,625	1,695,498	1,413,958	1,067,753	1,047,625
Total assets	6,894,775	6,930,480	5,597,590	5,187,891	4,072,176
Noncurrent liabilities:					
Long-term debt	3,702,054	3,507,685	2,232,712	1,593,695	1,449,155
Other noncurrent liabilities	590,548	573,213	585,078	725,010	393,617
Total stockholders' equity	686,202	1,223,914	1,275,891	1,386,772	1,230,623

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

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

- *Overview.* This section provides a general description of our Company and operating segments, business and industry trends, our key business strategies and background information on other matters discussed in this MD&A.
- *2017 Highlights.* This section discusses some of the highlights of our performance and activities during 2017.
- *Consolidated Results of Operations and Operating Results by Business Segment.* These sections provide our analysis and outlook for the significant line items on our statements of income, as well as other information that we deem meaningful to an understanding of our results of operations on both a consolidated basis and a business segment basis.
- *Liquidity and Capital Resources.* This section provides an analysis of trends and uncertainties affecting liquidity, cash requirements for our business, sources and uses of our cash and our financing arrangements.
- *Critical Accounting Policies and Estimates.* This section discusses the accounting policies that we consider important to the evaluation and reporting of our financial condition and results of operations, and whose application requires significant judgments or a complex estimation process.
- *Recently Issued Accounting Pronouncements.* This section provides a summary of the most recent authoritative accounting pronouncements that we will be required to adopt in a future period.

Overview

Our Company

We are a consumer goods company with a portfolio of leading apparel brands, including *Hanes*, *Champion*, *Bonds*, *Maidenform*, *DIM*, *Bali*, *Playtex*, *JMS/Just My Size*, *Nur Die/Nur Der*, *L'eggs*, *Lovable*, *Wonderbra*, *Berlei*, *Gear for Sports* and *Alternative*. We design, manufacture, source and sell a broad range of basic apparel such as T-shirts, bras, panties, men's underwear, children's underwear, activewear, socks and hosiery. Our brands hold either the number one or number two market position by units sold in many product categories and geographies in which we compete.

Acquisitions

On October 13, 2017, we acquired 100% of Alternative Apparel, Inc. (“Alternative Apparel”) from Rosewood Capital V, L.P. and certain individual shareholders in an all-cash transaction valued at approximately \$62 million on an enterprise value basis. Alternative Apparel sells the *Alternative* brand better basics T-shirts, fleece and other tops and bottoms. *Alternative* is a lifestyle brand known for its comfort, style and social responsibility. We funded the acquisition with cash on hand and short term borrowings under the Revolving Loan Facility. We believe this acquisition will create growth opportunities by supporting our Activewear growth strategy by expanding its market and channel penetration, including online, supported by our global low-cost supply chain and manufacturing network.

Our Segments

Our operations are managed and reported in three operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Activewear and International. These segments are organized principally by product category and geographic location. Each segment has its own management that is responsible for the operations of the segment’s businesses, but the segments share a common supply chain and media and marketing platforms. In the first quarter of 2017, we realigned our reporting segments to reflect the new model under which the business will be managed and results will be reviewed by the chief executive officer, who is our chief operating decision maker. The former Direct to Consumer segment, which consisted of our U.S. value-based (“outlet”) stores, legacy catalog business and U.S. retail Internet operations, was eliminated. Our U.S. retail Internet operations, which sells products directly to consumers, is now reported in the respective Innerwear and Activewear segments. Other consists of our U.S. value-based (“outlet”) stores, U.S. hosiery business (previously reported in the Innerwear segment) and legacy catalog operations. Prior year segment sales and operating profit results have been revised to conform to the current year presentation.

The reportable segments are as follows:

- Innerwear sells basic branded products that are replenishment in nature under the product categories of men’s underwear, panties, children’s underwear, socks and intimate apparel, which includes bras and shapewear.
- Activewear sells basic branded products that are primarily seasonal in nature to both retailers and wholesalers, as well as licensed sports apparel and licensed logo apparel in collegiate bookstores, mass retailers and other channels.
- International primarily relates to the Europe, Australia, Asia, Latin America and Canada geographic locations that sell products that span across the Innerwear and Activewear reportable segments.

Outlook for 2018

We expect 2018 net sales of \$6.72 billion to \$6.82 billion.

Interest and other expenses are expected to be approximately \$207 million, combined.

We estimate our 2018 full-year tax rate to approach 16%.

We expect cash flow from operations to be in the range of \$675 million to \$750 million. We expect capital expenditures of approximately \$90 million to \$100 million.

Business and Industry Trends

Inflation and Changing Prices

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

Our costs for cotton yarn and cotton-based textiles vary based upon the fluctuating cost of cotton, which is affected by, among other factors, weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries and other factors that are generally unpredictable and beyond our control. We are able to lock in the cost of cotton reflected in the price we pay for yarn from our primary yarn suppliers in an attempt to protect our business from the volatility of the market price of cotton. Under our agreements with these suppliers, we have the ability to

periodically fix the cotton cost component of our yarn purchases. When we elect to fix the cotton cost component under these agreements, interim fluctuations in the price of cotton do not impact the price we pay for the specified volume of yarn. The yarn suppliers bear the risk of cotton fluctuations for the yarn volume specified and it is their responsibility to procure the cotton at the agreed upon pricing through arrangements they make with their cotton suppliers. However, our business can be affected by dramatic movements in cotton prices. The cost of cotton used in goods manufactured by us represented only approximately 4% of our cost of sales in 2017. Costs incurred today for materials and labor, including cotton, typically do not impact our results until the inventory is sold approximately six to nine months later.

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

Other Business and Industry Trends

The basic apparel market is highly competitive and evolving rapidly. Competition is generally based upon brand name recognition, price, product quality, selection, service and purchasing convenience. The majority of our core styles continue from year to year, with variations only in color, fabric or design details. Some products, however, such as intimate apparel, activewear and sheer hosiery, do have more of an emphasis on style and innovation. Our businesses face competition from other large corporations and foreign manufacturers, as well as smaller companies, department stores, specialty stores and other retailers that market and sell basic apparel products under private labels that compete directly with our brands.

Our top 10 customers accounted for 46% of our net sales in 2017. Our largest customers in 2017 were Wal-Mart and Target, which accounted for 18% and 13% of total sales, respectively. The increasing bargaining power of retailers can create pricing pressures as our customers grow larger and seek greater concessions in their purchase of our products, while also demanding exclusivity of some of our products. To counteract these effects, it has become increasingly important to leverage our national brands through investment in our largest and strongest brands as our customers strive to maximize their performance especially in today's challenging economic environment. Brands are important in our core categories to drive traffic and project the quality and value our customers demand.

Consumers are increasingly embracing shopping online and through mobile commerce applications. As a result, an increasing portion of our revenue across all channels is being generated online and through mobile commerce applications. We are continuing to develop and expand our omnichannel capabilities to allow a consumer to use more than one channel when making a purchase, including in-store, at one of our retail or outlet stores or those of our retail partners, online or with a mobile device, through one of our branded websites, the website of one of our retail partners, or an online pureplay, such as Amazon. In addition to broadening our assortment of product offerings across all online channels, we are also increasing the proportion of our media budget dedicated to digital marketing.

Foreign Exchange Rates

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

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

Our Key Business Strategies

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

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

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

The third element of our Innovate-to-Elevate strategy is our low-cost global supply chain. We seek to expand margins through optimizing our low-cost global supply chain and streamlining our operations to reduce costs. We believe that we are able to leverage our significant scale of operations to provide us with greater manufacturing efficiencies, purchasing power and product design, marketing and customer management resources than our smaller competitors. Our global supply chain spans across both the Western and Eastern hemispheres and provides us with a balanced approach to product supply, which relies on a combination of owned, contracted and sourced manufacturing located across different geographic regions, increases the efficiency of our operations, reduces product costs and offers customers a reliable source of supply. Our global supply chain enables us to expand and leverage our production scale as we balance our supply chain across hemispheres, thereby diversifying our production risks. We have generated significant cost savings, margin expansion and contributions to cash flow and should continue to do so as we further optimize our size, scale and production capability.

We seek to effectively generate strong cash flow through optimizing our capital structure and managing working capital levels. Our capital allocation strategy is to effectively deploy our significant, consistent cash flow to generate the best long-term returns for our shareholders. Our goal is to use our cash flow to fund capital investments and dividends, leverage debt for acquisitions and use excess cash flow for share repurchases.

Seasonality and Other Factors

Our operating results are subject to some variability due to seasonality and other factors. Generally, our diverse range of product offerings helps mitigate the impact of seasonal changes in demand for certain items. We generally have higher sales during the back-to-school and holiday shopping seasons and during periods of cooler weather, which benefits certain product categories such as fleece. Sales levels in any period are also impacted by customers' decisions to increase or decrease their inventory levels in response to anticipated consumer demand. Our customers may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice to us. Media, advertising and promotion expenses may vary from period to period during a fiscal year depending on the timing of our advertising campaigns for retail selling seasons and product introductions.

Although the majority of our products are replenishment in nature and tend to be purchased by consumers on a planned, rather than on an impulse, basis, our sales are impacted by discretionary spending by consumers. Discretionary spending is affected by many factors, including, among others, general business conditions, interest rates, inflation, consumer debt levels, the availability of consumer credit, taxation, gasoline prices, unemployment trends and other matters that influence consumer confidence and spending. Many of these factors are outside our control. Consumers' purchases of discretionary items, including our products, could

decline during periods when disposable income is lower, when prices increase in response to rising costs, or in periods of actual or perceived unfavorable economic conditions. These consumers may choose to purchase fewer of our products or to purchase lower-priced products of our competitors in response to higher prices for our products, or may choose not to purchase our products at prices that reflect our price increases that become effective from time to time.

Changes in product sales mix can impact our gross profit as the percentage of our sales attributable to higher margin products, such as intimate apparel and men's underwear, and lower margin products, such as activewear, fluctuate from time to time. In addition, sales attributable to higher and lower margin products within the same product category fluctuate from time to time. Our customers may change the mix of products ordered with minimal notice to us, which makes trends in product sales mix difficult to predict. However, certain changes in product sales mix are seasonal in nature, as sales of socks, hosiery and fleece products generally have higher sales during the last two quarters (July to December) of each fiscal year as a result of cooler weather, back-to-school shopping and holidays, while other changes in product mix may be attributable to customers' preferences and discretionary spending.

Tax Expense

As a global company, we are subject to income taxes and file income tax returns in more than 100 U.S. and foreign jurisdictions each year. For the year ended December 30, 2017, a substantial majority of our foreign income was earned by our manufacturing and sourcing operations in El Salvador, Hong Kong, Dominican Republic and Thailand. The relatively lower effective tax rates in these jurisdictions as a result of favorable local tax regimes and various free trade zone agreements significantly reduced our consolidated effective tax rate. Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower effective tax rates and higher than anticipated in countries where we have higher effective tax rates, or by changes in tax laws or regulations.

In addition, future acquisitions may affect the proportion of our pre-tax income from foreign jurisdictions, both due to external sales and also increased volume in our self-owned supply chain. At the same time, a significant amount of the acquisition and integration costs (such as legal fees, bank fees and consulting fees) associated with these acquisitions is generally incurred in the U.S., which may decrease domestic taxable income. We follow a disciplined acquisition strategy focused on acquisitions that meet strict criteria for strong likely returns with relatively low risk. It is difficult to predict whether or when such acquisitions will occur and whether the acquisition targets will be foreign or domestic. Therefore, it is also difficult to predict the effect of acquisitions on the future distribution of our pre-tax income.

We maintain intercompany transfer pricing agreements governing sales within our self-owned supply chain, which can impact the amount of pre-tax income we recognize in foreign jurisdictions. In compliance with applicable tax laws, we regularly review the terms of these agreements utilizing independent third-party transfer pricing studies to ensure that intercompany pricing is consistent with what a seller would charge an independent, arm's length customer, or what a buyer would pay an independent, arm's length supplier. Therefore, changes in intercompany pricing are often driven by market conditions, which are also difficult to predict.

The recently enacted Tax Act significantly revised U.S. corporate income tax law by, among other things, reducing the corporate income tax rate to 21%, imposing a new minimum tax on global intangible low-taxed income ("GILTI") and implementing a modified territorial tax system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries. We have estimated the impact of the newly enacted law incorporating assumptions made based upon our current interpretation of the Tax Act. Some of the tax provisions that become effective in our fiscal year 2018 are expected to increase our effective tax rates, such as the GILTI tax. The actual impact of the Tax Act may differ from our estimates due to, among other things, further refinement of our calculations, changes in interpretations and assumptions we have made, guidance that may be issued and actions we may take as a result of the Tax Act, as allowed under SAB 118.

As of December 30, 2017, we are in the process of evaluating the impact of the Tax Act on our permanent reinvestment assertion with respect to the accumulated earnings of our foreign subsidiaries. No additional U.S. federal income tax or foreign withholding taxes have been provided as all accumulated earnings of foreign subsidiaries are deemed to have been remitted as part of the one-time transition tax. We will continue to evaluate our permanent reinvestment assertion in light of the Tax Act. The accounting is expected to be completed within the measurement period, as allowed under SAB 118.

We regularly assess any significant exposure associated with increases in effective tax rates, and adjustments are made as events occur that warrant adjustment to our tax provisions. See “*Risk Factors - We have a complex multinational tax structure, and changes in effective tax rates or adverse outcomes resulting from examination of our income tax returns could impact our capital deployment strategy and adversely affect our results.*”

2017 Highlights

- Net sales in 2017 were \$6.5 billion, compared with \$6.0 billion in 2016, representing a 7% increase.
- Operating profit was \$723 million in 2017 compared with \$776 million in 2016, representing a 7% decrease. As a percent of sales, operating profit was 11.2% in 2017 compared to 12.9% in 2016. Included within operating profit were acquisition and integration related charges of \$193 million and \$139 million in 2017 and 2016, respectively.
- Diluted earnings per share was \$0.17 in 2017, compared with \$1.40 in 2016, representing a 88% decrease.
- Operating cash flows were \$656 million in 2017 compared to \$606 million in 2016.
- Income tax expense for 2017 includes a one-time provisional charge related to U.S. tax reform of \$457 million, primarily for the transition tax on deemed repatriated earnings of foreign subsidiaries and revaluation of our deferred tax assets and liabilities, to the lower corporate income tax rate of 21%.
- During 2017, we purchased, as part of our cash deployment strategy, approximately 20 million shares of our common stock under the share repurchase program for approximately \$400 million at a weighted average cost per share of \$20.35.
- We refinanced our senior secured credit facility (the “Senior Secured Credit Facility”) to extend the maturity date of the revolving loan facility (the “Revolving Loan Facility”) and Term Loan A to April 2022 and extend the maturity date of the Term Loan B to April 2024. In addition, we reduced the rate of the Revolving Loan Facility; increased the size and reduced the rate of each term loan; and obtained other favorable credit terms to the entire facility.
- We acquired Alternative Apparel on October 13, 2017. Alternative Apparel sells the *Alternative* brand better basics T-shirts, fleece and other tops and bottoms. *Alternative* is a lifestyle brand known for its comfort, style and social responsibility.
- As part of our cash deployment strategy, we paid four quarterly dividends, in March, June, September and December, of \$0.15 per share.

In 2017, we began executing a multi-year program (“Project Booster”) to drive investment for sales growth, cost reduction and increased cash flow. Under Project Booster, we are investing to accelerate worldwide omnichannel and global *Champion* growth, while also investing in marketing and brand building for our leading lineup of brands globally. To fund growth initiatives, reduce costs and increase cash flow, we expect to reduce overhead, including headcount, to reflect market trends and needs; drive additional supply chain optimization beyond integration synergies; and focus on inventory turns and other working capital improvements. We intend to use our size and scale to drive supply chain optimization, including by investing in our domestic distribution center network to better serve the online channel, gaining procurement and product development savings, utilizing global fabric platforms and silhouettes, and continuing to internalize production.

The Project Booster initiative is expected to generate approximately \$150 million in annualized cost savings. We expect to annually reinvest approximately \$50 million of the savings in targeted growth opportunities, which would result in approximately \$100 million of annual net cost savings. We anticipate reaching the annual run rates for reinvestment and net cost savings by the end of 2019. In addition to the annual net cost savings, we also plan to drive approximately \$200 million of non-recurring working capital improvements which will result in a one-time benefit to cash from operations by the end of 2019.

Consolidated Results of Operations — Year Ended December 30, 2017 (“2017”) Compared with Year Ended December 31, 2016 (“2016”)

	Years Ended		Higher (Lower)	Percent Change
	December 30, 2017	December 31, 2016		
	(dollars in thousands)			
Net sales	\$6,471,410	\$6,028,199	\$ 443,211	7.4%
Cost of sales	3,980,859	3,752,151	228,708	6.1
Gross profit	2,490,551	2,276,048	214,503	9.4
Selling, general and administrative expenses	1,739,631	1,500,399	239,232	15.9
Change in fair value of contingent consideration	27,852	—	27,852	NM
Operating profit	723,068	775,649	(52,581)	(6.8)
Other expenses	11,363	51,758	(40,395)	(78.0)
Interest expense, net	174,435	152,692	21,743	14.2
Income from continuing operations before income tax expense	537,270	571,199	(33,929)	(5.9)
Income tax expense	473,279	34,272	439,007	NM
Income from continuing operations	63,991	536,927	(472,936)	(88.1)
Income (loss) from discontinued operations, net of tax	(2,097)	2,455	(4,552)	NM
Net income	\$ 61,894	\$ 539,382	\$(477,488)	(88.5)%

Net Sales

Higher net sales primarily due to the following:

- Acquisitions of Hanes Australasia, Champion Europe and GTM in 2016 and Alternative Apparel in 2017, which added incremental net sales of approximately \$470 million in 2017;
- Increased net sales driven by our global *Champion* and global online growth initiatives;
- Increased net sales in our licensed intimate apparel business, along with our sock and men’s underwear product categories;
- Sales growth in licensed sports apparel in the college bookstore business; and
- Favorable impact of foreign currency exchange rates of approximately \$25 million.

Partially offset by:

- Lower net sales in our remaining Innerwear product categories as a result of challenging consumer traffic at retail, cautious inventory management by retailers and store closures within the mid-tier and department store channel;
- Lower net sales in our licensed sports apparel business and *Hanes* activewear apparel within the mass merchant channel; and
- Lower net sales in Other driven by continued declines in hosiery, slower traffic at our outlet stores and the planned exit from our legacy catalog business in the third quarter of 2016.

Gross Profit

The increase in gross profit was attributable to higher sales volume primarily from acquisitions, supply chain efficiencies and synergies recognized from the integration of our acquisitions, offset in part by higher acquisition, integration and other action-related costs. Included within gross profit are charges of approximately \$55 million and \$39 million related to acquisition, integration and other action-related costs in 2017 and 2016, respectively.

Selling, General and Administrative Expenses

As a percentage of net sales, our selling, general and administrative expenses were 26.9% in 2017 compared to 24.9% in 2016. Included in selling, general and administrative expenses were charges of \$110 million and \$99 million of acquisition, integration and other action-related costs in 2017 and 2016, respectively. The higher selling, general and administrative expenses, as a percentage of sales, resulted from higher distribution expenses as a result of increased volume, increased labor expenses to handle late-quarter customer orders, increased marketing investment, mix of products sold, as well as higher acquisition, integration and other action-related charges and expenses related to our Project Booster initiative including our U.S. corporate office headcount reduction efforts. Increases within selling, general and administrative expenses aforementioned were partially offset by synergy benefits from the integration of prior acquisitions, cost savings from the planned reduction of our legacy catalog distribution and continued cost control.

Other Highlights

Change in fair value of contingent consideration – recognized \$28 million in 2017 due to the final settlement ruling of the contingent consideration liability in connection with the Champion Europe acquisition in 2016.

Other Expenses – lower by \$40 million in 2017 compared to 2016 primarily due to costs of approximately \$47 million associated with the redemption of our 6.375% Senior Notes in 2016, which included a call premium and write-off of unamortized debt issuance costs. In 2017, we refinanced our senior secured credit facility (the “Senior Secured Credit Facility”) and incurred costs associated with the refinancing of approximately \$5 million, which included a write-off of unamortized debt issuance costs and fees paid to third parties.

Interest Expense – higher by \$22 million in 2017 compared to 2016 primarily due to higher debt balances to help fund acquisitions and share repurchases coupled with a higher weighted average interest rate. Our weighted average interest rate on our outstanding debt was 3.78% during 2017, compared to 3.64% during 2016.

Income Tax Expense – income tax expense for 2017 includes a provisional charge related to the Tax Act of \$435 million, which includes a \$360 million transition tax charge on deemed repatriated earnings of foreign subsidiaries, a charge of \$72 million for the revaluation of our deferred tax assets and liabilities to the lower corporate income tax rate of 21% and a \$3 million charge related to the deductibility of employee compensation. In addition, we incurred incremental tax costs of approximately \$22 million for other impacts of tax reform and other actions taken in 2017.

Discontinued Operations – the results of our discontinued operations include the operations of two businesses, Dunlop Flooring and Tontine Pillow, purchased in the Hanes Australasia acquisition.

Operating Results by Business Segment — Year Ended December 30, 2017 (“2017”) Compared with Year Ended December 31, 2016 (“2016”)

	Net Sales Years Ended		Operating Profit Years Ended	
	December 30, 2017	December 31, 2016	December 30, 2017	December 31, 2016
	(dollars in thousands)			
Innerwear	\$2,462,876	\$2,543,717	\$528,038	\$563,905
Activewear	1,654,278	1,601,108	227,589	224,658
International	2,054,664	1,531,913	261,411	179,917
Other	299,592	351,461	23,364	32,801
Corporate	—	—	(317,334)	(225,632)
Total	\$6,471,410	\$6,028,199	\$723,068	\$775,649

Innerwear

	Years Ended		Higher (Lower)	Percent Change
	December 30, 2017	December 31, 2016		
	(dollars in thousands)			
Net sales	\$2,462,876	\$2,543,717	\$(80,841)	(3.2)%
Segment operating profit	528,038	563,905	(35,867)	(6.4)

Innerwear net sales decreased in both our basics and intimates apparel businesses. Strength in our licensed intimate apparel, sock and men's underwear businesses, as well as growth in the online channel was more than offset by declines in other product categories due to challenging consumer traffic at retail and cautious inventory management by retailers. Our intimate apparel business also experienced sales declines driven by the continued impact from retail store closures in the mid-tier and department store channel, partially offset by strong performance from our new *Maidenform* sport and millennial product offerings.

Decreased operating profit was driven largely by lower sales volume coupled with lower margins from unfavorable product mix, as well as expenses related to Project Booster, offset partially by continued cost control.

Activewear

	Years Ended		Higher (Lower)	Percent Change
	December 30, 2017	December 31, 2016		
	(dollars in thousands)			
Net sales	\$1,654,278	\$1,601,108	\$53,170	3.3%
Segment operating profit	227,589	224,658	2,931	1.3

Activewear net sales increased as a result of our acquisition of Alternative Apparel in October 2017 and expansion into the teamwear and fanware space with the acquisition of GTM in 2016, growth in our core *Champion* brand in the sports specialty, mid-tier and department store channels, increased licensed sports apparel sales in the college bookstore business, and growth across Activewear product categories online, partially offset by sales declines in *Hanes* activewear apparel and licensed sports apparel within the mass merchant channel.

Operating profit increased primarily as a result of increased sales volume and continued cost control offset, in part, by the impact of retailer bankruptcies and higher proportion of selling, general and administrative expenses at our recently acquired Alternative Apparel and GTM businesses.

International

	Years Ended		Higher (Lower)	Percent Change
	December 30, 2017	December 31, 2016		
	(dollars in thousands)			
Net sales	\$2,054,664	\$1,531,913	\$522,751	34.1%
Segment operating profit	261,411	179,917	81,494	45.3

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

- Incremental net sales from the acquisitions of Hanes Australasia in July of 2016 and Champion Europe in June of 2016;
- Continued growth in Asia within our Activewear product category, primarily driven by *Champion* and *Hanes* sales growth; and
- Favorable impact of foreign currency exchange rates of approximately \$25 million.

Partially offset by:

- Declining hosiery sales and slower traffic at retail in certain European markets.

Operating profit increased primarily due to higher sales volume, coupled with cost synergies realized in our Hanes Europe Innerwear and Hanes Australasia businesses.

Other

	Years Ended		Higher (Lower)	Percent Change
	December 30, 2017	December 31, 2016		
	(dollars in thousands)			
Net sales	\$299,592	\$351,461	\$(51,869)	(14.8)%
Segment operating profit	23,364	32,801	(9,437)	(28.8)

Other net sales were lower as a result of continued declines in hosiery sales in the U.S., slower traffic at our outlet stores and the planned exit from our legacy catalog business in 2016. Operating profit decreased as a result of lower sales volume, offset, in part, by continued cost control.

Corporate

Corporate expenses were comprised primarily of certain administrative costs and acquisition, integration and other action-related costs. Corporate expenses increased in 2017 primarily from higher acquisition, integration and other action-related charges in 2017 compared to 2016 and increased amortization expense related to acquired intangible assets in our recent acquisitions. Acquisition and integration costs are expenses related directly to an acquisition and its integration into the organization. These costs include legal fees, consulting fees, bank fees, severance costs, certain purchase accounting items, facility closures, inventory write-offs, infrastructure (including information technology), and similar charges. Business disruption and other actions are mainly expenses associated with natural disasters that impact our business and other action-related costs. Contingent consideration related to Champion Europe represents the charge recognized in relation to the final contingent consideration settlement in excess of amounts previously accrued, as further described in Note, "Acquisitions," to our consolidated financial statements. Acquisition-related currency transactions represent the foreign exchange gain from financing activities related to the Champion Europe and Hanes Australasia acquisitions.

	Years Ended	
	December 30, 2017	December 31, 2016
	(dollars in thousands)	
Acquisition, integration and other action-related costs included in operating profit:		
Hanes Europe Innerwear	\$65,995	\$79,003
Hanes Australasia	40,681	30,783
Champion Europe	10,645	10,972
Knights Apparel	11,994	29,056
Other acquisitions	1,995	4,344
Business disruption and other actions	33,590	—
Contingent consideration related to Champion Europe	27,852	—
Acquisition related currency transactions	—	(15,639)
Total acquisition, integration and other action-related costs included in operating profit	\$192,752	\$138,519

Consolidated Results of Operations — Year Ended December 31, 2016 (“2016”) Compared with Year Ended January 2, 2016 (“2015”)

	Years Ended		Higher (Lower)	Percent Change
	December 31, 2016	January 2, 2016		
	(dollars in thousands)			
Net sales	\$6,028,199	\$5,731,549	\$296,650	5.2%
Cost of sales	3,752,151	3,595,217	156,934	4.4
Gross profit	2,276,048	2,136,332	139,716	6.5
Selling, general and administrative expenses	1,500,399	1,541,214	(40,815)	(2.6)
Operating profit	775,649	595,118	180,531	30.3
Other expenses	51,758	3,210	48,548	NM
Interest expense, net	152,692	118,035	34,657	29.4
Income from continuing operations before income tax expense	571,199	473,873	97,326	20.5
Income tax expense	34,272	45,018	(10,746)	(23.9)
Income from continuing operations	536,927	428,855	108,072	25.2
Income from discontinued operations, net of tax	2,455	—	2,455	NM
Net income	\$539,382	\$428,855	\$110,527	25.8%

Net Sales

Higher net sales primarily due to the following:

- Incremental net sales of approximately \$435 million from businesses acquired in 2016, primarily Hanes Australasia and Champion Europe;
- Acquisition of Knights Apparel in April 2015, which added an incremental \$21 million of net sales in 2016; and
- Continued growth in the Activewear segment within our college bookstore business and *Champion* sales within the mass merchant channel.

Partially offset by:

- Lower sales in the Innerwear segment due to a slower than expected retail environment;
- Lower net sales in our Activewear segment in the sporting goods and mid-tier department store channels, primarily due to certain sporting goods retailer bankruptcies; and
- Lower net sales in Other due to slower traffic at our outlet stores, the planned exit of our legacy catalog business and removal of non-core product offerings to a more focused branded store strategy, and continued decline in our Hosiery sales.

Gross Profit

The increase in gross profit was attributable to results obtained from our acquisitions of Hanes Australasia and Champion Europe in 2016, as well as supply chain efficiencies, reduced acquisition, integration, and other action-related costs, and synergies recognized from the integration of our acquisitions, partially offset by costs associated with our inventory reduction related efforts and unfavorable product sales mix within the Activewear segment. Included within gross profit are charges of approximately \$39 million and \$63 million related to acquisition, integration and other action-related costs in 2016 and 2015, respectively.

Selling, General and Administrative Expenses

As a percentage of net sales, our selling, general and administrative expenses were 24.9% in 2016 compared to 26.9% in 2015. Included in selling, general and administrative expenses were charges of approximately \$99 million and \$203 million of acquisition, integration and other action-related costs in 2016 and 2015, respectively. The lower selling, general and administrative expenses, as a percentage of sales, resulted from the decrease in acquisition, integration and other action-related costs, synergy benefits from the integration of prior acquisitions, planned reduction of our catalog distribution and continued cost control, partially offset by higher proportion of selling, general and administrative expenses for acquired entities, primarily Hanes Australasia and Champion Europe.

Other Highlights

Other Expenses – higher by \$49 million in 2016 compared to 2015 primarily due to costs associated with the redemption of our 6.375% Senior Notes, which included a call premium and write-off of unamortized costs.

Interest Expense – higher by \$35 million in 2016 compared to 2015 primarily due to higher debt balances to help fund acquisitions and share repurchases, partially offset by a lower average interest rate. Our weighted average interest rate on our outstanding debt was 3.64% during 2016 compared to 3.75% in 2015.

Income Tax Expense – our effective income tax rate was 6.0% and 9.5% in 2016 and 2015, respectively. The lower effective income tax rate was primarily attributable to a lower proportion of earnings attributed to domestic subsidiaries, which are taxed at rates higher than foreign subsidiaries. Income tax expense also benefited from the adoption of accounting rules related to accounting for stock compensation, which required excess tax benefits and deficiencies to be recognized in income as they occur.

Discontinued Operations – the results of our discontinued operations include the operations of two businesses, Dunlop Flooring and Tontine Pillow, purchased in the Hanes Australasia acquisition.

Operating Results by Business Segment — Year Ended December 31, 2016 (“2016”) Compared with Year Ended January 2, 2016 (“2015”)

	Net Sales		Operating Profit	
	Years Ended		Years Ended	
	December 31, 2016	January 2, 2016	December 31, 2016	January 2, 2016
	(dollars in thousands)			
Innerwear	\$2,543,717	\$2,609,402	\$563,905	\$596,634
Activewear	1,601,108	1,605,423	224,658	245,563
International	1,531,913	1,132,637	179,917	105,515
Other	351,461	384,087	32,801	43,582
Corporate	—	—	(225,632)	(396,176)
Total	\$6,028,199	\$5,731,549	\$775,649	\$595,118

Innerwear

	Years Ended			
	December 31, 2016	January 2, 2016	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	\$2,543,717	\$2,609,402	\$ (65,685)	(2.5)%
Segment operating profit	563,905	596,634	(32,729)	(5.5)

The lower net sales in our Innerwear segment primarily resulted from lower sales volume driven by a soft retail environment and inventory reductions at a large mass retailer.

Decreased operating profit was driven by sales volume and costs associated with our inventory reduction related efforts, offset by continued cost control.

Activewear

	Years Ended		Higher (Lower)	Percent Change
	December 31, 2016	January 2, 2016		
	(dollars in thousands)			
Net sales	\$1,601,108	\$1,605,423	\$ (4,315)	(0.3)%
Segment operating profit	224,658	245,563	(20,905)	(8.5)

Activewear net sales decreased due to the following:

- Lower sales in the sporting goods and mid-tier department store channels primarily due to certain retailer bankruptcies;
- Lower sales in our Hanes Activewear business due to an expected loss of certain seasonal programs; and
- Lower *Champion* sales within the mid-tier channel in 2016, due to larger pipes to support space gains in 2015, which were not repeated in 2016.

Offset by:

- The acquisition of Knights Apparel in April 2015, which added an incremental \$21 million of net sales in 2016;
- The acquisition of GTM in September 2016, which added an incremental \$13 million of net sales;
- *Champion* growth within the mass retail channel; and
- Continued growth in our college bookstore business.

Operating profit decreased primarily as a result of unfavorable product sales mix and lower sales volume.

International

	Years Ended		Higher (Lower)	Percent Change
	December 31, 2016	January 2, 2016		
	(dollars in thousands)			
Net sales	\$1,531,913	\$1,132,637	\$399,276	35.3%
Segment operating profit	179,917	105,515	74,402	70.5

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

- Acquisitions of Hanes Australasia, Champion Europe and Champion Japan licensee; and
- Continued space gains in Asia within our Activewear product category.

Partially offset by:

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

International segment operating profit increased primarily due to higher sales volume in Australia and Europe from acquisitions, higher sales volume in Asia and cost synergies in our Hanes Europe Innerwear business, partially offset by foreign currency exchange rates.

Other

	Years Ended		Higher (Lower)	Percent Change
	December 31, 2016	January 2, 2016		
	(dollars in thousands)			
Net sales	\$351,461	\$384,087	\$(32,626)	(8.5)%
Segment operating profit	32,801	43,582	(10,781)	(24.7)

Other net sales were lower as a result of slower traffic at our outlet stores, the planned exit from our legacy catalog business and non-core product offerings in our stores and continued decline in our Hosiery sales. Operating profit decreased as a result of lower sales volume, partially offset by a reduction of reserves from the elimination of our customer rewards program and decreased catalog distribution costs.

Corporate

Corporate expenses were comprised primarily of certain administrative costs and acquisition, integration and other action-related charges. Corporate expenses decreased in 2016 primarily from the reduction of acquisition, integration and other action-related charges in 2016 compared to 2015. Acquisition and integration costs are expenses directly related to an acquisition and its integration into the organization. These costs include legal fees, consulting fees, bank fees, severance costs, certain purchase accounting items, facility closures, inventory write-offs, information technology costs and similar charges. Acquisition related currency transactions represent the foreign exchange gain from financing activities related to the Champion Europe and Hanes Australasia acquisitions. Foundational costs are expenses associated with building and realigning our enterprise-wide infrastructure to support global growth and future acquisitions, primarily consisting of technology spending. Other costs relate to other items not included in the aforementioned categories, primarily consisting of non-cash items related to the exit of the commercial sales organization in the China market in 2015. Maidenform acquisition and integration costs and Foundational costs were completed in 2015.

	Years Ended	
	December 31, 2016	January 2, 2016
	(dollars in thousands)	
Acquisition, integration and other action-related costs included in operating profit:		
Hanes Europe Innerwear	\$79,003	\$138,116
Hanes Australasia	30,783	—
Knights Apparel	29,056	14,789
Champion Europe	10,972	—
Other acquisitions	4,344	—
Maidenform	—	31,114
Acquisition related currency transactions	(15,639)	—
Total acquisition and integration costs	138,519	184,019
Foundational costs	—	47,786
Other costs	—	34,255
Total acquisition, integration and other action-related costs included in operating profit	\$138,519	\$266,060

Liquidity and Capital Resources

Trends and Uncertainties Affecting Liquidity

Our primary sources of liquidity are cash generated from global operations and cash available under our \$1.0 billion Revolving Loan Facility, our \$275 million Accounts Receivable Securitization Facility and our international loan facilities. As of December 30, 2017, we had \$995 million of borrowing availability under our Revolving Loan Facility (after taking into account outstanding letters of credit), \$150 million of borrowing availability under our Accounts Receivable Securitization Facility, \$166 million of borrowing availability under our international loan facilities, which includes our European Revolving Loan Facility, our Australian Revolving Loan Facility and other international notes payable and debt facilities, and \$422 million in cash and cash equivalents. We currently believe that our existing cash balances and cash generated by operations, together with our available credit capacity, will enable us to comply with the terms of our indebtedness and meet foreseeable liquidity requirements.

The following have impacted or are expected to impact liquidity:

- we have principal and interest obligations under our debt;
- we acquired Champion Europe in June 2016, Hanes Australasia in July 2016, Alternative Apparel in October 2017 and we may pursue strategic acquisitions in the future;
- we expect to continue to invest in efforts to improve operating efficiencies and lower costs;
- we expect to make required cash contributions of \$15 million to our pension plans in 2018;
- we may increase or decrease the portion of the current-year income of our foreign subsidiaries that we remit to the United States, which could impact our effective income tax rate;
- we are obligated to make installment payments over an eight-year period related to our transition tax liability resulting from the implementation of the Tax Act, beginning in 2018;
- our Board of Directors has authorized a regular quarterly dividend; and
- our Board of Directors has authorized the repurchase of up to 40 million shares under our share repurchase program. In 2017, we repurchased 19.6 million shares at a cost of \$400 million.

We typically use cash during the first half of the year and generate most of our cash flow in the second half of the year. We expect our cash deployment strategy in the future will include a mix of debt prepayments, dividends, acquisitions and share repurchases.

Cash Requirements for Our Business

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

Pension Plans

In 2017, we did not make any voluntary contributions to our pension plan. Our U.S. qualified pension plan was approximately 94% funded as of December 30, 2017 and December 31, 2016, under the Pension Protection Act funding rules. Additionally, we expect to make additional required cash contributions of approximately \$15 million to our pension plans in 2018 based on a preliminary calculation by our actuary. We may elect to make additional voluntary contributions during 2018. See Note, “Defined Pension Benefit Plans,” to our consolidated financial statements for more information on the plan asset and pension expense components.

Income Tax

In 2017, due to existing tax loss and credit carryforwards, we were not required to make any U.S. federal income tax payments. Beginning in 2018, we are obligated to make installment payments over an eight-year period related to our transition tax liability, which totals \$149 million, in addition to any estimated income taxes due based on current year taxable income. With the recent enactment of the Tax Act, we are still in the process of analyzing our permanent reinvestment assertion with regards to cash on our consolidated balance sheet that was held by foreign subsidiaries whose earnings were deemed distributed as part of the Tax Act.

Share Repurchase Program

Our Board of Directors approved a share repurchase program for up to 40 million shares to be repurchased in open market transactions, subject to market conditions, legal requirements and other factors. During 2017, we repurchased 19.6 million shares of our common stock under the new program at a cost of \$400 million (average price of \$20.35). During 2016, we purchased 14.2 million shares of our common stock under a previous program at a cost of \$380 million (average price of \$26.65). At December 30, 2017, the remaining repurchase authorization under the current share repurchase program totaled approximately 20.4 million shares. The program does not obligate us to acquire any particular amount of common stock and may be suspended or discontinued at any time at our discretion.

The primary objective of our share repurchase program is to utilize excess cash flow to generate shareholder value. While we may repurchase additional stock under the program, we may choose not to repurchase any stock and focus more on other uses of cash in the next 12 months.

Dividends

In 2015, our Board of Directors declared regular quarterly dividends of \$0.10 per share on outstanding common stock, which were paid in 2015. On March 3, 2015, we effected a four-for-one stock split in the form of a 300% stock dividend to stockholders of record as of the close of business on February 9, 2015.

In 2016, our Board of Directors declared regular quarterly dividends of \$0.11 per share on outstanding common stock, which were paid in 2016.

In January 2017, our Board of Directors increased the regular quarterly dividend rate to \$0.15 per share on outstanding common stock. During our 2017 fiscal year, regular quarterly cash dividends of \$0.15 per share were paid on March 7, 2017, June 6, 2017, September 6, 2017 and December 5, 2017.

In February 2018, our Board of Directors declared a regular quarterly cash dividend of \$0.15 per share on outstanding common stock to be paid on March 13, 2018 to stockholders of record at the close of business on February 20, 2018.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements within the meaning of Item 303(a)(4) of SEC Regulation S-K.

Future Contractual Obligations and Commitments

The following table contains information on our contractual obligations and commitments as of December 30, 2017, and their expected timing on future cash flows and liquidity.

	At December 30, 2017	Payments Due by Period			
		Fiscal 2018	Fiscal 2019-2020	Fiscal 2021-2022	Fiscal 2023 and Thereafter
(dollars in thousands)					
Operating activities:					
Interest on debt obligations (1)	\$837,896	\$149,162	\$287,270	\$279,648	\$121,816
Inventory purchase obligations	421,356	418,038	3,318	—	—
Operating lease obligations	622,296	137,959	212,176	146,998	125,163
Marketing and advertising obligations	20,745	10,817	8,290	1,638	—
Defined benefit plan minimum contributions (2)	15,000	15,000	—	—	—
Tax obligations (3)	177,345	17,038	35,799	33,370	91,138
Other long-term obligations (4)	356,558	115,675	146,358	32,663	61,862
Investing activities:					
Capital expenditures	13,552	13,552	—	—	—
Financing activities:					
Debt	3,993,267	249,589	221,529	647,500	2,874,649
Notes payable	11,873	11,873	—	—	—
Total	\$6,469,888	\$1,138,703	\$914,740	\$1,141,817	\$3,274,628

(1) Interest obligations on floating rate debt instruments are calculated for future periods using interest rates in effect at December 30, 2017.

(2) Represents only the required minimum pension contributions in 2018. In addition to the required cash contributions, we may elect to make voluntary contributions to maintain certain funded levels. For a discussion of our pension plan obligations, see Note, "Defined Benefit Pension Plans," to our consolidated financial statements.

(3) Represents uncertain tax positions and the transition tax liability resulting from the Tax Cuts and Jobs Act of 2017.

(4) Represents the projected payment for long-term liabilities recorded on the Consolidated Balance Sheet for certain employee benefit claims, royalty-bearing license agreement payments, contingent consideration payment and deferred compensation.

Sources and Uses of Our Cash

The information presented below regarding the sources and uses of our cash flows for the years ended December 30, 2017 and December 31, 2016 was derived from our consolidated financial statements.

	Years Ended	
	December 30, 2017	December 31, 2016
	(dollars in thousands)	
Operating activities	\$655,718	\$605,607
Investing activities	(104,513)	(966,641)
Financing activities	(585,768)	511,054
Effect of changes in foreign currency exchange rates on cash	(4,116)	(8,944)
Change in cash and cash equivalents	(38,679)	141,076
Cash and cash equivalents at beginning of year	460,245	319,169
Cash and cash equivalents at end of year	\$421,566	\$460,245

Operating Activities

Our overall liquidity is primarily driven by our strong cash flow provided by operating activities, which is dependent on net income and changes in working capital. As compared to prior year, our operating cash increased in 2017 due to our strong working capital management, specifically related to increased accounts receivable collections, extension of our accounts payable terms and no voluntary pension contribution in 2017 compared to \$40 million in 2016.

Investing Activities

The lower net cash used by investing activities was primarily the result of decreased acquisition activity in 2017 in comparison to 2016, coupled with cash received in 2017 from our dispositions of the Dunlop Flooring and Tontine Pillow businesses.

Financing Activities

The lower net cash from financing activities was primarily the result of lower net borrowings on our loan facilities in 2017 and the issuance of our three Senior Notes and incurrence of debt under our Australia term loan facilities in 2016 to help fund the acquisitions of Champion Europe and Hanes Australasia.

Financing Arrangements

We believe our financing structure provides a secure base to support our operations and key business strategies. As of December 30, 2017, we were in compliance with all financial covenants under our credit facilities and other outstanding indebtedness discussed below. We continue to monitor our covenant compliance carefully in this difficult economic environment. We expect to maintain compliance with our covenants during 2018, however economic conditions or the occurrence of events discussed above under “Risk Factors” could cause noncompliance.

We have significant liquidity from our available cash balances and credit facilities. We had the following borrowing availability as of December 30, 2017:

	As of December 30, 2017	
	Borrowing Capacity	Borrowing Availability
	(dollars in thousands)	
Senior Secured Credit Facility:		
Revolving Loan Facility	\$1,000,000	\$995,482
Australian Revolving Loan Facility	50,497	50,497
European Revolving Loan Facility	118,878	37,339
Accounts Receivable Securitization Facility	275,000	149,791
Other international credit facilities	145,581	78,282
Total liquidity from credit facilities	\$1,589,956	\$1,311,391

Critical Accounting Policies and Estimates

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

The application of critical accounting policies requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. These estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. We evaluate these estimates and assumptions on an ongoing basis and may retain outside consultants to assist in our evaluation. If actual results ultimately differ from previous estimates, the revisions are included in results of operations in the period in which the actual amounts become known. The critical accounting policies that involve the most significant management judgments and estimates used in preparation of our consolidated financial statements, or are the most sensitive to change from outside factors, are described below:

Sales Recognition and Incentives

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

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

Accounts Receivable Valuation

Accounts receivable consist primarily of amounts due from customers. We carry our accounts receivable at their net realizable value. In determining the appropriate allowance for doubtful accounts, we consider a combination of factors, such as the aging of trade receivables, industry trends, and our customers’ financial strength, credit standing and payment and default history. Changes in the aforementioned factors, among others, may lead to adjustments in our allowance for doubtful accounts. The calculation of the required allowance requires judgment by our management as to the impact of these and other factors on the ultimate realization of our trade receivables. Charges to the allowance for doubtful accounts are reflected in the “Selling, general and administrative expenses”

line and charges to the allowance for customer chargebacks and other customer deductions are primarily reflected as a reduction in the “Net sales” line of our Consolidated Statements of Income. Our management reviews these estimates each quarter and makes adjustments based upon actual experience. Because we cannot predict future changes in the financial stability of our customers, actual future losses from uncollectible accounts may differ from our estimates. If the financial condition of our customers were to deteriorate, resulting in their inability to make payments, a large reserve might be required. The amount of actual historical losses has not varied materially from our estimates for bad debts.

Inventory Valuation

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

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

Income Taxes

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

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

We have estimated the impact of the Tax Act incorporating assumptions made based upon our current interpretation of the Tax Act. The SEC Staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. We have recognized the provisional tax impacts related to deemed repatriated earnings and revaluation of our deferred tax assets, and included those amounts in our consolidated financial statements for the year ended December 30, 2017. The actual impact of the Tax Act may differ from our estimates due to, among other things, further refinement of our calculations, changes in interpretations and assumptions we have made, guidance that may be issued and actions we may take as a result of the Tax Act. We expect the accounting to be completed within the one year measurement period, as allowed under SAB 118.

Stock Compensation

We established the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (the “Omnibus Incentive Plan”) to award stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units, performance shares and cash to our employees, non-employee directors and employees of our subsidiaries to promote the interest of our company and incent performance and retention of employees. Stock-based compensation is estimated at the grant date based on the award’s fair

value and is recognized as expense over the requisite service period. We estimate forfeitures for stock-based awards granted that are not expected to vest. If any of these inputs or assumptions changes significantly, our stock-based compensation expense could be materially different in the future.

Defined Benefit Pension Plans

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

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

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

- In determining the discount rate, we utilized the Aon Hewitt AA Above Median Curve (rounded to the nearest 10 basis points) in order to determine a unique interest rate for each plan and match the expected cash flows for each plan. Beginning in 2016, we began utilizing a full series specific spot rates along the Aon Hewitt AA Above Median yield curve in our determination of discount rates, for our U.S. defined benefit plans, in order to determine our interest rate and match to the relevant cash flows for the plans. This change improves the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of interest costs.
- Salary increase assumptions were based on historical experience and anticipated future management actions. The salary increase assumption only applies to the Canadian plans, certain Hanes Europe Innerwear plans and portions of the Hanesbrands nonqualified retirement plans, as benefits under these plans are not frozen. The benefits under the Hanesbrands Inc. Pension Plan were frozen as of December 31, 2005.
- In determining the long-term rate of return on plan assets we applied a proportionally weighted blend between assuming the historical long-term compound growth rate of the plan portfolio would predict the future returns of similar investments, and the utilization of forward-looking assumptions.
- Retirement rates were based primarily on actual experience while standard actuarial tables were used to estimate mortality. In 2017, the tables used as a basis for the mortality assumption were from the RP-2014 table with Scale MP-2017.

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

	Increase (Decrease) in	
	Pension Expense	Benefit Obligation
	(in millions)	
1% decrease in discount rate	\$(1)	\$169
1% increase in discount rate	1	(137)
1% decrease in expected investment return	8	N/A
1% increase in expected investment return	(8)	N/A

Trademarks and Other Identifiable Intangibles

Trademarks, license agreements, customer and distributor relationships and computer software are our primary identifiable intangible assets. We amortize identifiable intangibles with finite lives over their estimated useful lives, and we do not amortize identifiable intangibles with indefinite lives. We base the estimated useful life of an identifiable intangible asset upon a number of factors, including the effects of demand, competition, expected changes in distribution channels and the level of maintenance expenditures required to obtain future cash flows. As of December 30, 2017, the net book value of trademarks and other identifiable intangible assets was \$1.4 billion, of which we are amortizing a balance of \$237 million. We anticipate that our amortization expense for 2018 will be \$32 million.

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

Goodwill

As of December 30, 2017, we had \$1.2 billion of goodwill. We do not amortize goodwill, but we assess for impairment at least annually and more often as triggering events occur. The timing of our annual goodwill impairment testing is the first day of the third fiscal quarter. The estimated fair values significantly exceeded the carrying values of each of our reporting units as of the first day of the third fiscal quarter, and no impairment of goodwill was identified as a result of the testing conducted in 2017.

In evaluating the recoverability of goodwill in 2017, we estimated the fair value of our reporting units. We relied on a number of factors to determine the fair value of our reporting units and evaluate various factors to discount anticipated future cash flows, including operating results, business plans and present value techniques. As discussed above under “Trademarks and Other Identifiable Intangibles,” there are inherent uncertainties related to these factors, and our judgment in applying them and the assumptions underlying the impairment analysis may change in such a manner that impairment in value may occur in the future. Such impairment will be recognized in the period in which it becomes known.

Assets and Liabilities Acquired in Business Combinations

We account for business combinations using the purchase method, which requires us to allocate the cost of an acquired business to the acquired assets and liabilities based on their estimated fair values at the acquisition date. We recognize the excess of an acquired business’ cost over the fair value of acquired assets and liabilities as goodwill. We use a variety of information sources to determine the fair value of acquired assets and liabilities. We generally use third party appraisers to assist management in determination of the fair value and lives of property and identifiable intangibles, consulting actuaries to assist management in determining the fair value of obligations associated with defined benefit pension plans and legal counsel to assist management in assessing obligations associated with legal and environmental claims.

Depreciation and Impairment of Property, Plant and Equipment

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

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

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

Recently Issued Accounting Pronouncements

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

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

Foreign Exchange Risk

We sell the majority of our products in transactions denominated in U.S. dollars; however, we purchase some raw materials, pay a portion of our wages and make other payments in our supply chain in foreign currencies. With our international commercial presence, we also have foreign entities that purchase raw materials and finished goods in U.S. dollars. Our exposure to foreign exchange rates exists primarily with respect to the Euro, Australian dollar, Canadian dollar, Mexican peso and Japanese yen against the U.S. dollar. We use foreign exchange forward contracts to hedge material exposure to adverse changes in foreign exchange rates. A sensitivity analysis technique has been used to evaluate the effect that changes in the market value of foreign exchange currencies will have on our forward and option contracts. At December 30, 2017, the potential change in fair value of foreign currency derivative instruments, assuming a 10% adverse change in the underlying currency price, was approximately \$61 million.

Interest Rates

Our debt under the Revolving Loan Facility, Accounts Receivable Securitization Facility, Term Loan A, Term Loan B, Australian Term A-1, Australian Revolver, European Revolver and Other International Debt bears interest at variable rates. As a result, we are exposed to changes in market interest rates that could impact the cost of servicing our debt. Approximately 60% of our total debt outstanding at December 30, 2017 is at a fixed rate. A 25-basis point movement in the annual interest rate charged on the outstanding debt balances as of December 30, 2017 would only result in a change in annual interest expense of approximately \$4 million.

Commodities

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

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

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements required by this item are contained on pages F-1 through F-51 of this Annual Report on Form 10-K. See Item 15(a)(1) for a listing of consolidated financial statements provided.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting

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

Changes in Internal Control over Financial Reporting

In connection with the evaluation required by Exchange Act Rule 13a-15(d), our management, including our Chief Executive Officer and Chief Financial Officer, concluded that no changes in our internal control over financial reporting occurred during the quarter ended December 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We excluded our wholly owned subsidiary, Alternative Apparel, from our assessment of internal control over financial reporting as of December 30, 2017 because our control over the operation of the subsidiary was acquired in a purchase business combination during 2017.

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

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

Item 11. Executive Compensation

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

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

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

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

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

Item 14. Principal Accounting Fees and Services

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

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

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

(a)(3) Exhibits

Exhibit Number	Description
2.1	Scheme Implementation Deed, dated April 27, 2016, between Hanesbrands Inc. and Pacific Brands Limited (incorporated by reference from Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 20, 2016).
2.2	Share Purchase Agreement, dated February 2, 2018, between HBI Australia Acquisition Co. Pty Limited, Hanesbrands Inc., Brett Blundy, Ray Itaoui and the individual sellers listed therein (incorporated by reference from Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 8, 2018). (Certain schedules to the Share Purchase Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant agrees to furnish a supplemental copy of any omitted schedule to the SEC upon request.)
3.1	Articles of Amendment and Restatement of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).
3.2	Articles Supplementary (Junior Participating Preferred Stock, Series A) (incorporated by reference from Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).
3.3	Articles of Amendment to Articles of Amendment and Restatement of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2015).
3.4	Articles Supplementary (Reclassifying Junior Participating Preferred Stock, Series A) (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 2, 2015).
3.5	Amended and Restated Bylaws of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 26, 2017).
4.1	Indenture, dated May 6, 2016, among Hanesbrands Inc., the subsidiary guarantors named therein and U.S. Bank National Association (incorporated by reference from Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2016).
4.2	First Supplemental Indenture (to Indenture dated May 6, 2016), dated as of November 9, 2016, among Hanesbrands Inc., It's Greek to Me, Inc., GTM Retail, Inc. and US Bank, National Association (incorporated by reference from Exhibit 4.6 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 3, 2017).
4.3	Second Supplemental Indenture (to Indenture dated May 6, 2016), dated as of February 7, 2018, among Hanesbrands Inc., Alternative Apparel, Inc. and US Bank, National Association.

Exhibit Number	Description
4.4	Indenture, dated June 3, 2016, among Hanesbrands Finance Luxembourg S.C.A., Hanesbrands Inc., the other guarantors named therein, U.S. Bank Trustees Limited, as Trustee, Elavon Financial Services Limited, UK Branch, as Paying Agent and Transfer Agent, and Elavon Financial Services Limited, as Registrar (incorporated by reference from Exhibit 4.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 3, 2016).
4.5	Supplemental Indenture No. 1 (to Indenture dated June 3, 2016), dated as of June 23, 2016, among Hanesbrands Finance Luxembourg S.C.A, HBI Australia Acquisition Co. Pty Limited, HBI Italy Acquisition Co. S.r.l., Maidenform Brands Spain, S.R.L. Unipersonal and U.S. Bank Trustees Limited (incorporated by reference from Exhibit 4.3 to the Registrant’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 4, 2016).
4.6	Supplemental Indenture No. 2 (to Indenture dated June 3, 2016), dated as of November 9, 2016, among Hanesbrands Finance Luxembourg, S.C.A., Pacific Brands Limited, Pacific Brands (Australia) Pty Ltd, Pacific Brands Holdings Pty Ltd, Sheridan Australia Pty Ltd, Pacific Brands Services Group Pty Ltd, Pacific Brands Sports & Leisure Pty Ltd, Pacific Brands Clothing Pty Ltd, Pacific Brands Holdings (NZ) Limited, Sheridan N.Z. Limited, Champion Products Europe Limited and U.S. Bank Trustees Limited (incorporated by reference from Exhibit 4.5 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 3, 2017).
4.7	Supplemental Indenture No. 3 (to Indenture dated June 3, 2016), dated as of November 9, 2016, among Hanesbrands Finance Luxembourg S.C.A., It’s Greek to Me, Inc., GTM Retail, Inc. and U.S. Bank Trustees Limited (incorporated by reference from Exhibit 4.6 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 3, 2017).
4.8	Supplemental Indenture No. 4 (to Indenture dated June 3, 2016), dated as of March 28, 2017, among Hanesbrands Finance Luxembourg S.C.A., Hanes Caribe, Inc. and U.S. Bank Trustees Limited (incorporated by reference from Exhibit 4.1 to the Registrant’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 3, 2017).
10.1	Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2013).*
10.2	Form of Stock Option Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan of 2006 (incorporated by reference from Exhibit 10.3 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).*
10.3	Form of Calendar Year Grant Restricted Stock Unit Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.3 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.4	Form of Discretionary Grant Restricted Stock Unit Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.4 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.5	Form of Performance Stock and Cash Award – Cash Component Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated)(incorporated by reference from Exhibit 10.5 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*

Exhibit Number	Description
10.6	Form of Performance Stock and Cash Award – Stock Component Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated)(incorporated by reference from Exhibit 10.6 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.7	Form of Non-Employee Director Restricted Stock Unit Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan (As Amended and Restated) (incorporated by reference from Exhibit 10.7 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.8	Form of Non-Employee Director Stock Option Grant Notice and Agreement under the Hanesbrands Inc. Omnibus Incentive Plan of 2006 (incorporated by reference from Exhibit 10.5 to the Registrant’s Transition Report on Form 10-K filed with the Securities and Exchange Commission on February 22, 2007).*
10.9	Hanesbrands Inc. Supplemental Employee Retirement Plan (incorporated by reference from Exhibit 10.8 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 9, 2010).*
10.10	Hanesbrands Inc. Performance-Based Annual Incentive Plan (incorporated by reference from Exhibit 10.10 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).*
10.11	Hanesbrands Inc. Executive Deferred Compensation Plan, as amended (incorporated by reference from Exhibit 10.11 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 6, 2014).*
10.12	Hanesbrands Inc. Executive Life Insurance Plan (incorporated by reference from Exhibit 10.10 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2009).*
10.13	Hanesbrands Inc. Executive Long-Term Disability Plan (incorporated by reference from Exhibit 10.11 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2009).*
10.14	Hanesbrands Inc. Employee Stock Purchase Plan of 2006, as amended (incorporated by reference from Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 29, 2010).*
10.15	Hanesbrands Inc. Non-Employee Director Deferred Compensation Plan (incorporated by reference from Exhibit 10.13 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2009).*
10.16	First Amendment to Hanesbrands Inc. Non-Employee Director Deferred Compensation Plan (incorporated by reference from Exhibit 99.3 to the Registrant’s Registration Statement on Form S-8 filed with the Securities and Exchange Commission on November 4, 2016).*
10.17	Severance/Change in Control Agreement dated December 18, 2008 between the Registrant and Richard A. Noll (incorporated by reference from Exhibit 10.14 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 11, 2009).*
10.18	Form of Severance/Change in Control Agreement entered into by and between Hanesbrands Inc. and certain of its executive officers prior to December 2010 and schedule of all such agreements with current executive officers (incorporated by reference from Exhibit 10.17 to the Registrant’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 5, 2016).*

Exhibit Number	Description
10.19	Form of Severance/Change in Control Agreement entered into by and between Hanesbrands Inc. and certain of its executive officers after December 2010 and schedule of all such agreements with current executive officers.*
10.20	First Amendment to Severance/Change in Control Agreement dated June 13, 2016 between Hanesbrands Inc. and Gerald W. Evans, Jr. (incorporated by reference from Exhibit 10.3 to the Registrant’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 4, 2016).*
10.21	Fourth Amended and Restated Credit Agreement (the “Fourth Amended Credit Agreement”) by and among financial institutions and other persons from time to time party to the Fourth Amended Credit Agreement from time to time as lenders, Barclays Bank PLC, HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, PNC Capital Markets LLC, and SunTrust Bank, as the co-syndication agents, Branch Banking & Trust Company, Fifth Third Securities, Inc., The Bank of Nova Scotia, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Wells Fargo Bank, National Association, as the co-documentation agents, JPMorgan Chase Bank, N.A., as the administrative agent and the collateral agent, and JPMorgan Chase Bank, N.A., Barclays Bank PLC, HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, PNC Capital Markets LLC, and SunTrust Bank, as the joint lead arrangers and joint bookrunners (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2017).
10.22	Syndicated Facility Agreement, dated as of July 4, 2016, among Hanesbrands Inc., MFB International Holdings S.a.r.l., HBI Australia Acquisition Co. Pty Ltd, the Australian Lenders party thereto, the Subsidiary Guarantors party thereto, JPMorgan Chase Bank, N.A., as the Administrative Agent and the Collateral Agent and HSBC Bank Australia Limited as lead arranger and bookrunner (incorporated by reference from Exhibit 10.2 to the Registrant’s Current Report on Form 10-Q filed with the Securities and Exchange Commission on August 4, 2016).
12.1	Ratio of Earnings to Fixed Charges.
21.1	Subsidiaries of the Registrant.
23.1	Consent of PricewaterhouseCoopers LLP.
24.1	Powers of Attorney (included on the signature pages hereto).
31.1	Certification of Gerald W. Evans, Jr., Chief Executive Officer.
31.2	Certification of Barry A. Hytinen, Chief Financial Officer.
32.1	Section 1350 Certification of Gerald W. Evans, Jr., Chief Executive Officer.
32.2	Section 1350 Certification of Barry A. Hytinen, Chief Financial Officer.
101.INS XBRL	Instance Document
101.SCH XBRL	Taxonomy Extension Schema Document
101.CAL XBRL	Taxonomy Extension Calculation Linkbase Document
101.LAB XBRL	Taxonomy Extension Label Linkbase Document
101.PRE XBRL	Taxonomy Extension Presentation Linkbase Document
101.DEF XBRL	Taxonomy Extension Definition Linkbase Document

* Management contract or compensatory plans or arrangements.

Item 16. Form 10-K Summary

Not applicable.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on the 8th day of February, 2018.

HANESBRANDS INC.

/s/ Gerald W. Evans, Jr.

Gerald W. Evans, Jr.
Chief Executive Officer

Power of Attorney

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

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

Signature	Capacity	Date
<u>/s/ Gerald W. Evans, Jr.</u> Gerald W. Evans, Jr.	Chief Executive Officer (principal executive officer)	February 8, 2018
<u>/s/ Barry A. Hytinen</u> Barry A. Hytinen	Chief Financial Officer (principal financial officer)	February 8, 2018
<u>/s/ M. Scott Lewis</u> M. Scott Lewis	Chief Accounting Officer and Controller (principal accounting officer)	February 8, 2018
<u>/s/ Bobby J. Griffin</u> Bobby J. Griffin	Director	February 8, 2018
<u>/s/ James C. Johnson</u> James C. Johnson	Director	February 8, 2018
<u>/s/ Jessica T. Mathews</u> Jessica T. Mathews	Director	February 8, 2018
<u>/s/ Franck J. Moison</u> Franck J. Moison	Director	February 8, 2018
<u>/s/ Robert F. Moran</u> Robert F. Moran	Director	February 8, 2018
<u>/s/ Ronald L. Nelson</u> Ronald L. Nelson	Director	February 8, 2018
<u>/s/ Richard A. Noll</u> Richard A. Noll	Director	February 8, 2018
<u>/s/ David V. Singer</u> David V. Singer	Director	February 8, 2018
<u>/s/ Ann E. Ziegler</u> Ann E. Ziegler	Director	February 8, 2018

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Hanesbrands Inc.

Management's Report on Internal Control Over Financial Reporting

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

The Company excluded its wholly owned subsidiary Alternative Apparel, Inc. ("Alternative Apparel") from its assessment of internal control over financial reporting as of December 30, 2017 because its control over these operations was acquired by the Company in a purchase business combination during 2017. The Company is in the process of integrating the operations of Alternative Apparel into the Company's overall internal control over financial reporting process. This is a wholly-owned subsidiary whose combined total assets and total revenues represent 0.5% and 0.3% of the related consolidated financial statement amounts as of and for the year ended December 30, 2017.

Management has evaluated the effectiveness of Hanesbrands' internal control over financial reporting as of December 30, 2017, based upon criteria for effective internal control over financial reporting described in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation, management determined that Hanesbrands' internal control over financial reporting was effective as of December 30, 2017.

The effectiveness of our internal control over financial reporting as of December 30, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included on the following page.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Hanesbrands Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Hanesbrands Inc. and its subsidiaries as of December 30, 2017 and December 31, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 30, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 30, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 30, 2017 and December 31, 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded Alternative Apparel, Inc. ("Alternative Apparel") from its assessment of internal control over financial reporting as of December 30, 2017 because it was acquired by the Company in a purchase business combination during 2017. We have also excluded Alternative Apparel from our audit of internal control over financial reporting. Alternative Apparel is a wholly-owned subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 0.5% and 0.3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 30, 2017.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers LLP

Greensboro, North Carolina

February 8, 2018

We have served as the Company's auditor since 2006.

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

	Years Ended		
	December 30, 2017	December 31, 2016	January 2, 2016
Net sales	\$6,471,410	\$6,028,199	\$5,731,549
Cost of sales	3,980,859	3,752,151	3,595,217
Gross profit	2,490,551	2,276,048	2,136,332
Selling, general and administrative expenses	1,739,631	1,500,399	1,541,214
Change in fair value of contingent consideration	27,852	—	—
Operating profit	723,068	775,649	595,118
Other expenses	11,363	51,758	3,210
Interest expense, net	174,435	152,692	118,035
Income from continuing operations before income tax expense	537,270	571,199	473,873
Income tax expense	473,279	34,272	45,018
Income from continuing operations	63,991	536,927	428,855
Income (loss) from discontinued operations, net of tax	(2,097)	2,455	—
Net income	\$61,894	\$539,382	\$428,855
Earnings (loss) per share — basic:			
Continuing operations	\$0.17	\$1.41	\$1.07
Discontinued operations	(0.01)	0.01	—
Net income	\$0.17	\$1.41	\$1.07
Earnings (loss) per share — diluted:			
Continuing operations	\$0.17	\$1.40	\$1.06
Discontinued operations	(0.01)	0.01	—
Net income	\$0.17	\$1.40	\$1.06

See accompanying notes to Consolidated Financial Statements.

HANESBRANDS INC.
 Consolidated Statements of Comprehensive Income
 (in thousands)

	Years Ended		
	December 30, 2017	December 31, 2016	January 2, 2016
Net income	\$61,894	\$539,382	\$428,855
Other comprehensive loss:			
Foreign currency translation	34,554	(20,384)	(23,576)
Cash flow hedges, net of tax effect of \$7,951, (\$1,272) and (\$866), respectively	(31,281)	5,757	1,043
Defined benefit plans, net of tax effect of \$930, \$16,393 and (\$883), respectively	(6,488)	(26,431)	189
Other comprehensive loss	(3,215)	(41,058)	(22,344)
Comprehensive income	\$58,679	\$498,324	\$406,511

See accompanying notes to Consolidated Financial Statements.

HANESBRANDS INC.
Consolidated Balance Sheets
 (in thousands, except share and per share amounts)

	December 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	\$421,566	\$460,245
Trade accounts receivable, net	903,318	836,924
Inventories	1,874,990	1,840,565
Other current assets	186,496	137,535
Current assets of discontinued operations	—	45,897
Total current assets	3,386,370	3,321,166
Property, net	623,991	692,464
Trademarks and other identifiable intangibles, net	1,402,857	1,285,458
Goodwill	1,167,007	1,098,540
Deferred tax assets	234,932	464,872
Other noncurrent assets	79,618	67,980
Total assets	\$6,894,775	\$6,930,480
Liabilities and Stockholders' Equity		
Accounts payable	\$867,649	\$761,647
Accrued liabilities and other:		
Payroll and employee benefits	153,394	154,697
Advertising and promotion	150,375	134,648
Other	345,865	330,450
Notes payable	11,873	56,396
Accounts Receivable Securitization Facility	125,209	44,521
Current portion of long-term debt	124,380	133,843
Current liabilities of discontinued operations	—	9,466
Total current liabilities	1,778,745	1,625,668
Long-term debt	3,702,054	3,507,685
Pension and postretirement benefits	405,238	371,612
Accrued income taxes - noncurrent	137,226	—
Other noncurrent liabilities	185,310	201,601
Total liabilities	6,208,573	5,706,566
Stockholders' equity:		
Preferred stock (50,000,000 authorized shares; \$.01 par value)		
Issued and outstanding — None	—	—
Common stock (2,000,000,000 authorized shares; \$.01 par value)		
Issued and outstanding — 360,125,894 and 378,687,052, respectively	3,601	3,787
Additional paid-in capital	271,462	260,002
Retained earnings	850,345	1,396,116
Accumulated other comprehensive loss	(439,206)	(435,991)
Total stockholders' equity	686,202	1,223,914
Total liabilities and stockholders' equity	\$6,894,775	\$6,930,480

See accompanying notes to Consolidated Financial Statements.

HANESBRANDS INC.
Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balances at January 3, 2015	400,789	\$4,008	\$290,926	\$1,464,427	\$(372,589)	\$1,386,772
Net income	—	—	—	428,855	—	428,855
Dividends	—	—	—	(161,316)	—	(161,316)
Translation adjustments	—	—	—	—	(23,576)	(23,576)
Net unrealized gain on qualifying cash flow hedges	—	—	—	—	1,043	1,043
Net unrecognized gain from pension and postretirement plans	—	—	—	—	189	189
Stock-based compensation	—	—	29,154	—	—	29,154
Net exercise of stock options, vesting of restricted stock units and other	3,012	30	(33,765)	—	—	(33,735)
Share repurchases	(12,148)	(121)	(8,746)	(342,628)	—	(351,495)
Balances at January 2, 2016	391,653	\$3,917	\$277,569	\$1,389,338	\$(394,933)	\$1,275,891
Net income	—	—	—	539,382	—	539,382
Dividends	—	—	—	(169,294)	—	(169,294)
Translation adjustments	—	—	—	—	(20,384)	(20,384)
Net unrealized gain on qualifying cash flow hedges	—	—	—	—	5,757	5,757
Net unrecognized loss from pension and postretirement plans	—	—	—	—	(26,431)	(26,431)
Stock-based compensation	—	—	30,617	6,051	—	36,668
Net exercise of stock options, vesting of restricted stock units and other	1,277	12	(37,786)	—	—	(37,774)
Share repurchases	(14,243)	(142)	(10,398)	(369,361)	—	(379,901)
Balances at December 31, 2016	378,687	\$3,787	\$260,002	\$1,396,116	\$(435,991)	\$1,223,914
Net income	—	—	—	61,894	—	61,894
Dividends	—	—	—	(222,290)	—	(222,290)
Translation adjustments	—	—	—	—	34,554	34,554
Net unrealized loss on qualifying cash flow hedges	—	—	—	—	(31,281)	(31,281)
Net unrecognized loss from pension and postretirement plans	—	—	—	—	(6,488)	(6,488)
Stock-based compensation	—	—	23,224	—	—	23,224
Net exercise of stock options, vesting of restricted stock units and other	1,079	10	2,154	528	—	2,692
Share repurchases	(19,640)	(196)	(13,918)	(385,903)	—	(400,017)
Balances at December 30, 2017	360,126	\$3,601	\$271,462	\$850,345	\$(439,206)	\$686,202

See accompanying notes to Consolidated Financial Statements.

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

	Years Ended		
	December 30, 2017	December 31, 2016	January 2, 2016
Operating activities:			
Net income	\$61,894	\$539,382	\$428,855
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	87,595	81,057	80,166
Amortization of intangibles	34,892	22,118	23,737
Charges incurred for amendments of credit facilities	—	34,624	—
Write-off on early extinguishment of debt	4,028	12,667	—
Amortization of debt issuance costs	10,394	9,034	7,077
Stock compensation expense	23,582	31,780	29,618
Deferred taxes	239,068	(8,836)	10,850
Change in fair value of contingent consideration liability	27,852	—	—
Other	1,468	(12,587)	(8,696)
Changes in assets and liabilities, net of acquisition and disposition of businesses:			
Accounts receivable	(31,656)	(83,279)	(21,974)
Inventories	22,648	135,807	(289,654)
Other assets	(28,346)	(24,563)	35,044
Accounts payable	71,806	(60,994)	74,613
Accrued pension and postretirement benefits	19,042	(31,504)	(102,202)
Accrued income taxes	179,117	7,396	(4,395)
Accrued liabilities and other	(67,666)	(46,495)	(36,032)
Net cash from operating activities	655,718	605,607	227,007
Investing activities:			
Purchases of property, plant and equipment	(87,008)	(83,399)	(99,375)
Proceeds from sales of assets	4,459	80,833	15,404
Acquisition of businesses, net of cash acquired	(62,249)	(964,075)	(192,829)
Disposition of businesses	40,285	—	—
Net cash from investing activities	(104,513)	(966,641)	(276,800)
Financing activities:			
Borrowings on notes payable	278,489	904,476	1,167,681
Repayments on notes payable	(327,615)	(992,760)	(1,184,458)
Borrowings on Accounts Receivable Securitization Facility	373,640	238,065	231,891
Repayments on Accounts Receivable Securitization Facility	(292,952)	(388,707)	(247,691)
Borrowings on Revolving Loan Facilities	4,161,799	3,798,942	5,272,000
Repayments on Revolving Loan Facilities	(4,153,000)	(3,795,500)	(5,385,000)
Borrowings on Senior Notes	—	2,359,347	—
Repayments on Senior Notes	—	(1,000,000)	—
Borrowings on Term Loan Facilities	1,250,000	301,272	1,150,000
Repayments on Term Loan Facilities	(1,145,215)	(268,264)	(311,955)
Borrowings on International Debt	—	9,145	10,676
Repayments on International Debt	(45,072)	(12,734)	(15,971)
Share repurchases	(400,017)	(379,901)	(351,495)
Cash dividends paid	(219,903)	(167,375)	(161,316)
Payments to amend and refinance credit facilities	(9,122)	(80,069)	(12,793)
Payment of contingent consideration	(41,250)	—	—
Taxes paid related to net shares settlement of equity awards	(15,463)	(17,414)	(76,569)
Excess tax benefit from stock-based compensation	—	—	45,286
Other	(87)	2,531	2,696
Net cash from financing activities	(585,768)	511,054	132,982
Effect of changes in foreign exchange rates on cash	(4,116)	(8,944)	(3,875)
Change in cash and cash equivalents	(38,679)	141,076	79,314
Cash and cash equivalents at beginning of year	460,245	319,169	239,855
Cash and cash equivalents at end of year	\$421,566	\$460,245	\$319,169

See accompanying notes to Consolidated Financial Statements.

HANESBRANDS INC.
Notes to Consolidated Financial Statements — (Continued)
Years ended December 30, 2017, December 31, 2016 and January 2, 2016
(amounts in thousands, except per share data)

(1) Basis of Presentation

Hanesbrands Inc., a Maryland corporation (the “Company”), is a consumer goods company with a portfolio of leading apparel brands, including *Hanes*, *Champion*, *Bonds*, *Maidenform*, *DIM*, *Bali*, *Playtex*, *JMS/Just My Size*, *Nur Die/Nur Der*, *L’eggs*, *Lovable*, *Wonderbra*, *Berlei*, *Gear for Sports* and *Alternative*. The Company designs, manufactures, sources and sells a broad range of basic apparel such as T-shirts, bras, panties, men’s underwear, children’s underwear, activewear, socks and hosiery.

During the third quarter of 2016, the Company separately reported the results of its Dunlop Flooring and Tontine Pillow businesses as discontinued operations in its Consolidated Statements of Income, and to present the related assets and liabilities as held for sale in the Consolidated Balance Sheet. Unless otherwise noted, discussion within these notes to the consolidated financial statements relates to continuing operations. See note “Discontinued Operations” for additional information on discontinued operations.

As a result of further policy harmonization related to acquired businesses, certain prior year amounts in the consolidated financial statements, none of which are material, have been reclassified to conform with the current year presentation. The reclassification on the Consolidated Balance Sheet is between the “Trade accounts receivable, net” line and the “Accrued liabilities — Advertising and promotion” line of \$22,746 as of December 31, 2016. The reclassification on the Consolidated Statement of Cash Flow is between the “Accounts Receivable” and the “Accrued liabilities and other” line of \$4,068 as of December 31, 2016. This reclassification had no impact on the Company’s results of operations.

The Company’s fiscal year ends on the Saturday closest to December 31. All references to “2017”, “2016” and “2015” relate to the 52 week fiscal years ended on December 30, 2017, December 31, 2016 and January 2, 2016, respectively. Three subsidiaries of the Company close on the calendar month-end, which is less than a week different than the Company’s consolidated year end. The difference in reporting of financial information for these subsidiaries did not have a material impact on the Company’s financial condition, results of operations or cash flows. A significant subsidiary of the Company, Hanes Holdings Lux S.à.r.l. (formerly named DBA Lux Holding S.A.) (“Hanes Europe Innerwear”), had a 53 week fiscal year ended January 2, 2016 as a result of aligning Hanes Europe Innerwear’s year end with the Company in the year after acquisition. The 53rd week of financial information for Hanes Europe Innerwear did not have a material impact on the Company’s financial condition, results of operations or cash flows.

(2) Summary of Significant Accounting Policies

(a) Consolidation

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

(b) Use of Estimates

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

(c) Foreign Currency Translation

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

HANESBRANDS INC.
Notes to Consolidated Financial Statements — (Continued)
Years ended December 30, 2017, December 31, 2016 and January 2, 2016
(amounts in thousands, except per share data)

(d) Sales Recognition and Incentives

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

Discounts, Coupons, and Rebates

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

Volume-Based Incentives

These incentives typically involve rebates or refunds of cash that are redeemable only if the reseller completes a specified number of sales transactions. Under these incentive programs, the Company estimates the anticipated rebate to be paid and allocates a portion of the estimated cost of the rebate to each underlying sales transaction with the customer. The Company includes these amounts in the determination of net sales.

Cooperative Advertising

Under these arrangements, the Company agrees to reimburse the reseller for a portion of the costs incurred by the reseller to advertise and promote certain of the Company's products. The Company recognizes the cost of cooperative advertising programs in the period in which the advertising and promotional activity first takes place. The Company includes these amounts in the determination of net sales.

Fixtures and Racks

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

(e) Advertising Expense

Advertising costs, which include the development and production of advertising materials and the communication of these materials through various forms of media, are expensed in the period the advertising first takes place. The Company recognized advertising expense in the "Selling, general and administrative expenses" caption in the Consolidated Statements of Income of \$157,369, \$168,701 and \$181,956 in 2017, 2016 and 2015, respectively.

(f) Shipping and Handling Costs

Revenue received for shipping and handling costs is included in net sales and was \$19,738, \$19,446 and \$19,710 in 2017, 2016 and 2015, respectively. Shipping costs, which comprise payments to third party shippers, and handling costs, which consist of warehousing costs in the Company's various distribution facilities, were \$376,449, \$324,845 and \$332,678 in 2017, 2016 and 2015, respectively. The Company recognizes shipping, handling and distribution costs in the "Selling, general and administrative expenses" line of the Consolidated Statements of Income.

HANESBRANDS INC.
Notes to Consolidated Financial Statements — (Continued)
Years ended December 30, 2017, December 31, 2016 and January 2, 2016
(amounts in thousands, except per share data)

(g) Catalog Expenses

The Company incurs expenses for printing catalogs for products to aid in the Company's sales efforts. The Company initially records these expenses as a prepaid item and charges it against selling, general and administrative expenses over time as the catalog is used. Expenses are recognized at a rate that approximates historical experience with regard to the timing and amount of sales attributable to a catalog distribution. The Company discontinued its catalog business during 2016.

(h) Research and Development

Research and development costs are expensed as incurred and are included in the "Selling, general and administrative expenses" line of the Consolidated Statements of Income. Research and development includes expenditures for new product, technological improvements for existing products and process innovation, which primarily consist of salaries, consulting and supplies attributable to time spent on research and development activities. Additional costs include depreciation and maintenance for research and development equipment and facilities. Research and development expense was \$65,457, \$70,096 and \$62,324 in 2017, 2016 and 2015, respectively.

(i) Defined Contribution Benefit Plans

The Company sponsors 401(k) plans as well as other defined contribution benefit plans. Expense for these plans was \$21,251, \$26,434 and \$21,972 in 2017, 2016 and 2015, respectively.

(j) Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

(k) Accounts Receivable Valuation

Accounts receivable are stated at their net realizable value. The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the accounts receivable portfolio determined on the basis of historical experience, aging of trade receivables, specific allowances for known troubled accounts and other currently available information.

(l) Inventory Valuation

Inventories are stated at the estimated lower of cost or market. Cost is determined by the first-in, first-out, or "FIFO," method for inventories. Obsolete, damaged, and excess inventory is carried at the net realizable value, which is determined by assessing historical recovery rates, current market conditions and future marketing and sales plans. Rebates, discounts and other cash consideration received from a vendor related to inventory purchases are reflected as reductions in the cost of the related inventory item, and are therefore reflected in cost of sales when the related inventory item is sold.

(m) Property

Property is stated at historical cost and depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Machinery and equipment is depreciated over periods ranging from three to 15 years and buildings and building improvements over periods of up to 40 years. A change in the depreciable life is treated as a change in accounting estimate and the accelerated depreciation is accounted for in the period of change and future periods. Additions and improvements that substantially extend the useful life of a particular asset and interest costs incurred during the construction period of major properties are capitalized. Repairs and maintenance costs are expensed as incurred. Upon sale or disposition of an asset, the cost and related accumulated depreciation are removed from the accounts.

HANESBRANDS INC.
Notes to Consolidated Financial Statements — (Continued)
Years ended December 30, 2017, December 31, 2016 and January 2, 2016
(amounts in thousands, except per share data)

Property is tested for recoverability whenever events or changes in circumstances indicate that its carrying value may not be recoverable. Such events include significant adverse changes in the business climate, several periods of operating or cash flow losses, forecasted continuing losses or a current expectation that an asset or an asset group will be disposed of before the end of its useful life. Recoverability of property is evaluated by a comparison of the carrying amount of an asset or asset group to future net undiscounted cash flows expected to be generated by the asset or asset group. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the estimated fair value. When an impairment loss is recognized for assets to be held and used, the adjusted carrying amount of those assets is depreciated over its remaining useful life. Restoration of a previously recognized impairment loss is not permitted under U.S. GAAP.

(n) Trademarks and Other Identifiable Intangible Assets

The primary identifiable intangible assets of the Company are trademarks, licensing agreements, customer and distributor relationships and computer software. Identifiable intangible assets with finite lives are amortized and those with indefinite lives are not amortized. The estimated useful life of a finite-lived intangible asset is based upon a number of factors, including the effects of demand, competition, expected changes in distribution channels and the level of maintenance expenditures required to obtain future cash flows. Trademarks with finite lives are being amortized over periods ranging from ten to 12 years, license agreements are being amortized over periods ranging from three to 17 years, customer and distributor relationships are being amortized over periods ranging from two to 15 years and computer software and other intangibles are being amortized over periods ranging from one to seven years.

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

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

(o) Goodwill

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

Goodwill is not amortized; however, it is assessed for impairment at least annually and as triggering events occur. The Company's annual measurement date is the first day of the third fiscal quarter. In evaluating the recoverability of goodwill, the Company estimates the fair value of its reporting units and compares it to the carrying value. If the carrying value of the reporting unit exceeds its fair value, the next step of the process involves comparing the implied fair value to the carrying value of the goodwill of that

HANESBRANDS INC.
Notes to Consolidated Financial Statements — (Continued)
Years ended December 30, 2017, December 31, 2016 and January 2, 2016
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reporting unit. If the carrying value of the goodwill of a reporting unit exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to such excess. No impairment of goodwill was identified as a result of the testing conducted in 2017. In estimating the fair values of the reporting units, management relies on a number of factors to discount anticipated future cash flows including operating results, business plans and present value techniques. Rates used to discount cash flows are dependent upon interest rates and the cost of capital at a point in time. There are inherent uncertainties related to these factors and management's judgment in applying them to the analysis of goodwill impairment.

(p) Insurance Reserves

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

(q) Stock-Based Compensation

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

(r) Income Taxes

Deferred taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse. Given continuing losses in certain jurisdictions in which the Company operates on a separate return basis, a valuation allowance has been established for the deferred tax assets in these specific locations. The Company periodically estimates the probable tax obligations using historical experience in tax jurisdictions and informed judgment. There are inherent uncertainties related to the interpretation of tax regulations in the jurisdictions in which the Company transacts business. The judgments and estimates made at a point in time may change based on the outcome of tax audits, as well as changes to, or further interpretations of, regulations. Income tax expense is adjusted in the period in which these events occur, and these adjustments are included in the Company's Consolidated Statements of Income. If such changes take place, there is a risk that the Company's effective tax rate may increase or decrease in any period. A company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

The recently enacted Tax Cuts and Jobs Act (the "Tax Act") significantly revised U.S. corporate income tax law by, among other things, reducing the corporate income tax rate to 21% and implementing a modified territorial tax system that includes a one-time transition tax on deemed repatriated earnings foreign subsidiaries. The Company has estimated the impact of the newly enacted law incorporating assumptions made based upon its current interpretation of the Tax Act.

In addition, the Tax Act implemented a new minimum tax on global intangible low-taxed income ("GILTI"). A company can elect an accounting policy to account for GILTI in either of the following ways:

- As a period charge in the future period the tax arises; or
- As part of deferred taxes related to the investment or subsidiary.

The Company is currently in the process of analyzing this provision and, as a result, is not yet able to reasonably estimate its effect. Therefore, the Company has not made any adjustments related to potential GILTI tax in its consolidated financial statements and has not made a policy decision regarding whether to record deferred tax on GILTI.

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Due to the complexities involved in accounting for the enactment of the Tax Act, SEC Staff Accounting Bulletin 118 (“SAB 118”) allows companies to record provisional estimates of the impacts of the Tax Act during a measurement period which is similar to the measurement period of up to one year from the enactment which is similar to the measurement period used when accounting for business combinations. The Company will continue to assess the impact of the recently enacted tax law on its consolidated financial statements.

(s) Financial Instruments

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

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

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

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

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

Cash Flow Hedges

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

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Derivative Contracts Not Designated as Hedges

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

(t) Assets and Liabilities Acquired in Business Combinations

Business combinations are accounted for using the purchase method, which requires the Company to allocate the cost of an acquired business to the acquired assets and assumed liabilities based on their estimated fair values at the acquisition date. The Company recognizes the excess of an acquired business’ cost over the fair value of acquired assets and assumed liabilities as goodwill. Fair values are determined using the income approach based on market participant assumptions focusing on future cash flow projections and accepted industry standards.

(u) Recently Issued Accounting Pronouncements

Fair Value Measurement

In May 2015, the FASB issued ASU 2015-07, “Fair Value Measurement (Topic 820)”, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient, and requires separate disclosure of those investments instead. These disclosures were effective for the Company in the first quarter of 2016. The adoption of the new accounting rules did not have an impact on the Company’s financial condition, results of operations or cash flows, however management did adopt the related applicable disclosures. Refer to Note, “Fair Value of Assets and Liabilities”.

Inventory

In July 2015, the FASB issued ASU 2015-11, “Inventory: Simplifying the Measurement of Inventory”, which require inventory to be recorded at the lower of cost or net realizable value. The new standard was effective for the Company in the first quarter of 2017. The adoption of the new accounting rules did not have a material impact on the Company’s financial condition, results of operations or cash flows.

Hedge Accounting

In March 2016, the FASB issued ASU 2016-05, “Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships”, which clarifies that a change in the counterparty to a derivative contract, in and of itself, does not require the dedesignation of a hedging relationship. The new standard, which could be adopted prospectively or on a modified retrospective basis, was effective for the Company in the first quarter of 2017. The adoption of the new accounting rules did not have a material impact on the Company’s financial condition, results of operations and cash flows. Also in March 2016, the FASB issued ASU 2016-06, “Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments”, which clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this Update is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. The new standard, which is applied on a modified prospective basis, was effective for the Company in the first quarter of 2017. The adoption of the new accounting rules did not have a material impact on the Company’s financial condition, results of operations and cash flows.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)”, a new accounting standard on revenue recognition that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The FASB has subsequently issued updates to the standard to provide additional clarification on specific topics. The new standard will be effective for the Company in the first quarter of 2018 and can be applied using a modified retrospective or full retrospective method. The Company has established an implementation team consisting of finance, accounting and front-end business partners to analyze the impact of the guidance across all of its revenue sources. The Company has evaluated the new

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standard against its existing accounting policies and practices, including reviewing standard purchase orders, invoices, shipping terms, conducting questionnaires with its global team and reviewing contracts with customers. The Company has not identified any information that would indicate that the new guidance will have a material impact on the Company's consolidated financial statements. The Company expects to have enhanced disclosures related to disaggregation of revenue sources and accounting policies. The Company expects to adopt the new standard in the first quarter of 2018 using the modified retrospective transition method.

Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments". Issues addressed in the new guidance that are relevant to the Company include debt prepayment and extinguishment costs, contingent consideration payments made after a business combination and beneficial interests in securitization transactions. The new rules will be effective for the Company in the first quarter of 2018. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company's cash flows.

Income Taxes

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory". The update eliminates the exception for an intra-entity transfer of an asset other than inventory, which aligns the recognition of income tax consequences for inter-entity transfers of assets other than inventory by requiring the recognition of current and deferred income taxes resulting from an intra-entity transfer of such an asset when the transfer occurs rather than when it is sold to an external party. The new rules will be effective for the Company in the first quarter of 2018. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company's financial condition, results of operations and cash flows.

Definition of a Business

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business". The update provides that when substantially all the fair value of the assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The new rules will be effective for the Company in the first quarter of 2018. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company's financial condition, results of operations and cash flows.

Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the presentation of net periodic pension cost and net periodic postretirement benefit cost". The new rules require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The new rules will be effective for the Company in the first quarter of 2018. Early adoption is permitted. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company's financial condition, results of operations and cash flows.

Stock Compensation

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting". The new rules provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Under the new rules, an entity should account for the effects of a modification unless the fair value, vesting conditions and classification of the modified award are the same as the original award immediately before the original award is modified. The new rules will be effective for the Company in the first quarter of 2018. Early adoption is permitted. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company's financial condition, results of operations and cash flows.

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Lease Accounting

In February 2016, the FASB issued ASU 2016-02, “Leases”, which will require lessees to recognize a right-of-use asset and a lease liability for all leases that are not short-term in nature. The new rules will be effective for the Company in the first quarter of 2019. The Company is currently in the process of evaluating the impact of adoption of the new rules on the Company’s financial condition, results of operations and cash flows.

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities”. The new rules expand the hedging strategies that qualify for hedge accounting, including contractually-specified price components of a commodity purchase or sale, hedges of the benchmark rate component of the contractual coupon cash flows of fixed-rate assets and liabilities, hedges of the portion of a closed portfolio of prepayable assets and partial-term hedges of fixed-rate assets and liabilities. The new rules also allow additional time to complete hedge effectiveness testing and allow qualitative assessments subsequent to initial quantitative tests if there is a supportable expectation that the hedge will remain highly effective. The new rules will be effective for the Company in the first quarter of 2019, with early adoption permitted. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company’s financial condition, results of operations and cash flows.

Goodwill Impairment

In January 2017, the FASB issued ASU 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment”. The new rules simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount. The new rules will be effective for the Company in the first quarter of 2020. The Company does not expect the adoption of the new accounting rules to have a material impact on the Company’s financial condition, results of operations and cash flows.

(v) Reclassifications

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

(3) Acquisitions

Hanes Australasia

On July 14, 2016, the Company acquired 100% of the outstanding shares of Pacific Brands Limited (“Hanes Australasia”) for a total purchase price of AUD\$1,049,360 (\$800,871). US dollar equivalents are based on acquisition date exchange rates. The Company funded the acquisition through a combination of cash on hand, a portion of the net proceeds from the 3.5% Senior Notes issued in June 2016 and borrowings under the Australian Term A-1 Loan Facility and the Australian Term A-2 Loan Facility.

The results of Hanes Australasia have been included in the Company’s consolidated financial statements since the date of acquisition and are reported as part of the International segment.

Hanes Australasia is a leading underwear and intimate apparel company in Australia with a portfolio of strong brands including *Bonds*, Australia’s top brand of underwear, babywear and socks, and *Berlei*, a leading sports bra brand and leading seller of premium bras in department stores. The Company believes the acquisition creates growth opportunities by adding to the Company’s portfolio of leading innerwear brands supported by the Company’s global low-cost supply chain and manufacturing network. Factors that contribute to the amount of goodwill recognized for the acquisition include the value of the existing work force and expected cost savings by utilizing the Company’s low-cost supply chain and expected synergies with existing Company functions. Goodwill associated with the acquisition is not tax deductible.

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The acquired assets and assumed liabilities at the date of acquisition (July 14, 2016) include the following:

Cash and cash equivalents	\$54,294
Accounts receivable, net	36,019
Inventories	104,806
Other current assets	16,588
Current assets of discontinued operations	50,839
Property, net	34,835
Trademarks and other identifiable intangibles	506,170
Deferred tax assets and other noncurrent assets	23,687
Total assets acquired	827,238
Accounts payable	89,309
Accrued liabilities and other	24,912
Current liabilities of discontinued operations	14,564
Long-term debt	41,976
Deferred tax liabilities and other noncurrent liabilities	16,320
Total liabilities assumed	187,081
Net assets acquired	640,157
Goodwill	160,714
Purchase price	\$800,871

Since July 14, 2016, goodwill decreased by \$25,434 as a result of measurement period adjustments, primarily related to the valuation adjustments for the Dunlop Flooring and Tontine Pillow businesses and completion of deferred tax balances. The purchase price allocation was finalized in the third quarter of 2017.

Champion Europe

On June 30, 2016, the Company acquired 100% of Champion Europe S.p.A. (“Champion Europe”), which owns the trademark for the *Champion* brand in Europe, the Middle East and Africa, from certain individual shareholders in an all-cash transaction valued at €220,751 (\$245,554) enterprise value less working capital adjustments as defined in the purchase agreement, which included €40,700 (\$45,277) in estimated contingent consideration. US dollar equivalents are based on acquisition date exchange rates. The Company funded the acquisition through a combination of cash on hand and borrowings under the 3.5% Senior Notes issued in June 2016.

The results of Champion Europe have been included in the Company’s consolidated financial statements since the date of acquisition and are reported as part of the International segment.

The Company believes combining the *Champion* business creates a unified platform to benefit from the global consumer growth trend for active apparel. Factors that contribute to the amount of goodwill recognized for the acquisition include the value of the existing work force and expected cost savings by utilizing the Company’s low-cost supply chain and expected synergies with existing Company functions. Goodwill associated with the acquisition is not tax deductible.

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The final contingent consideration liability is included in the “Accrued liabilities — Other” line in the accompanying Consolidated Balance Sheet and is based on 10 times Champion Europe’s earnings before interest, income taxes, depreciation and amortization (“EBITDA”) in excess of €18,600, calculated as defined by the purchase agreement, for the calendar year 2016. On April 28, 2017, an initial payment of €37,820 (\$41,250) was made to the sellers towards the contingent consideration liability, which represented the mutually agreed portion of the contingent consideration at said date. Upon final settlement negotiations in January 2018, management has accrued €26,430 at December 30, 2017 to reflect the fair value of the final contingent consideration payment to be made in 2018. The final contingent consideration settlement is within the previously disclosed range.

The acquired assets, contingent consideration and assumed liabilities at the date of acquisition (June 30, 2016) include the following:

Cash and cash equivalents	\$14,581
Trade accounts receivable, net	27,926
Inventories	53,816
Other current assets	5,976
Property, net	24,605
Trademarks and other identifiable intangibles	135,277
Deferred tax assets and other noncurrent assets	3,777
Total assets acquired	265,958
Accounts payable	66,594
Accrued liabilities and other (including contingent consideration)	60,887
Notes payable	27,748
Deferred tax liabilities and other noncurrent liabilities	20,282
Total liabilities assumed and contingent consideration	175,511
Net assets acquired	90,447
Goodwill	109,830
Initial consideration paid	200,277
Estimated contingent consideration	45,277
Total purchase price	\$245,554

Since June 30, 2016, goodwill increased by \$1,665 as a result of measurement period adjustments primarily to working capital. The purchase price allocation was finalized in the second quarter of 2017.

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Consolidated Pro Forma Results

Consolidated unaudited pro forma results of operations for the Company are presented below assuming that the 2016 acquisition of Hanes Australasia and Champion Europe had occurred on January 4, 2015. Pro forma operating results for the year ended January 2, 2016 include expenses totaling \$9,560, for acquisition-related adjustments primarily related to inventory and stock compensation.

	Years Ended	
	December 31, 2016	January 2, 2016
Net sales	\$6,434,928	\$6,480,153
Net income from continuing operations	617,261	437,849
Earnings per share from continuing operations:		
Basic	\$1.62	\$1.09
Diluted	1.61	1.08

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

Knights Apparel

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

Since January 2, 2016, goodwill decreased by \$3,551 as a result of measurement period adjustments to the acquired income tax balances. The purchase price allocation was finalized in the first quarter of 2016.

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

	Year Ended
	January 2, 2016
Net sales	\$5,753,706
Net income from continuing operations	433,636
Earnings per share from continuing operations:	
Basic	\$1.08
Diluted	1.07

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

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Other Acquisitions

On October 13, 2017, the Company acquired 100% of Alternative Apparel, Inc. (“Alternative Apparel”) from Rosewood Capital V, L.P. and certain individual shareholders in an all-cash transaction. Alternative Apparel sells the *Alternative* brand better basics T-shirts, fleece and other tops and bottoms. *Alternative* is a lifestyle brand known for its comfort, style and social responsibility. The Company believes this acquisition will create growth opportunities by supporting its Activewear growth strategy by expanding its market and channel penetration, including online, supported by the Company’s global low-cost supply chain and manufacturing network. Total consideration paid was \$62,318. The Company funded the acquisition with cash on hand and short term borrowing under the Revolving Loan Facility. In connection with the acquisition, the Company recorded net working capital of \$18,517, goodwill of \$24,514, intangible assets of \$26,800 and other net liabilities of \$7,513. The results of Alternative Apparel have been included in the Company’s consolidated financial statements since the date of the acquisition and are reported as part of the Activewear segment. Due to the immaterial nature of this acquisition, the Company has not provided additional disclosures herein.

In September 2016, the Company completed two immaterial acquisitions of It’s Greek to Me, Inc. and GTM Retail, Inc. (“GTM”) and Universo Sport S.p.A (“Universo”). The acquisitions extended the Company’s domestic presence in the custom decorated teamwear and fanwear apparel space into the high school channel and expanded the Company’s retail platform in Italy, respectively. Total consideration paid for both acquisitions totaled \$24,415. The Company funded the acquisitions with cash on hand and short term borrowings under the Revolving Loan Facility. In connection with these acquisitions, the Company recorded net working capital of \$7,013, goodwill of \$8,753 and other net assets of \$8,649. The purchase price allocations were finalized in the third quarter of 2017. The results of GTM and Universo have been included in the Company’s consolidated financial statements since the date of the acquisition and are reported as part of the Activewear and International segments, respectively. Due to the immaterial nature of these acquisitions, the Company has not provided additional disclosures herein.

Subsequent Event

On February 2, 2018, the Company and its wholly owned subsidiary, HBI Australia Acquisition Co Pty Limited, entered into a Share Purchase Agreement with all of the shareholders of BNT Holdco Pty Limited (“Bras N Things”), to acquire 100% of the outstanding equity of Bras N Things for a purchase price of AUD\$500,000 in an all cash transaction, less any net indebtedness of Bras N Things at closing, and subject to a post-closing adjustment to reflect deviation at closing from a normalized level of working capital. The Company will fund the acquisition with cash on hand. Bras N Things is a leading intimate apparel retailer and e-commerce business in Australia and New Zealand. Bras N Things sells proprietary bras, panties and lingerie sets through a retail network of approximately 170 stores and a fast-growing e-commerce platform. The Company believes this acquisition will create opportunities by appealing to millennial consumers featuring core products supplemented by seasonal product offerings. The consumer-direct sales model has significant potential for expansion into other geographic markets. The transaction is expected to close by the middle of February.

(4) Discontinued Operations

As part of the Company’s acquisition of Hanes Australasia in 2016, the Company acquired Hanes Australasia’s legacy Dunlop Flooring and Tontine Pillow businesses. The Company concluded that these businesses were not a strategic fit; therefore, the decision was made to divest of the businesses.

In February 2017, the Company sold its Dunlop Flooring business for AUD\$34,564 (\$26,219) in net cash proceeds at the time of sale, with an additional AUD\$1,334 (\$1,012) of proceeds received in April 2017 related to a working capital adjustment, resulting in a pre-tax loss of AUD\$2,715 (\$2,083). US dollar equivalents are based on exchange rates on the date of the sale transaction. The Dunlop Flooring business was reported as part of discontinued operations since the date of acquisition.

In March 2017, the Company sold its Tontine Pillow business for AUD\$13,500 (\$10,363) in net cash proceeds at the time of sale. A working capital adjustment of AUD\$966 (\$742) was paid to the buyer in April 2017, resulting in a net pre-tax gain of AUD\$2,415 (\$1,856). US dollar equivalents are based on exchange rates on the date of the sale transaction. The Tontine Pillow business was reported as part of discontinued operations since the date of acquisition.

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The operating results of these discontinued operations only reflect revenues and expenses that are directly attributable to these businesses that were eliminated from ongoing operations. The key components from discontinued operations related to the Dunlop Flooring and Tontine Pillow businesses were as follows:

	Years Ended	
	December 30, 2017	December 31, 2016
Net sales	\$6,865	\$34,698
Cost of sales	4,507	22,554
Gross profit	2,358	12,144
Selling, general and administrative expenses	3,729	8,632
Operating profit (loss)	(1,371)	3,512
Other expenses	303	1,106
Net loss on disposal of business	242	—
Income (loss) from discontinued operations before income tax expense	(1,916)	2,406
Income tax expense (benefit)	181	(49)
Net income (loss) from discontinued operations, net of tax	\$(2,097)	\$2,455

All assets and liabilities of discontinued operations were sold in 2017. Assets and liabilities of discontinued operations classified as held for sale in the consolidated balance sheet as of December 31, 2016 consisted of the following:

Trade accounts receivable, net	\$10,139
Inventories	10,691
Property, net	3,630
Trademarks and other identifiable intangibles, net	14,929
Goodwill	10,479
Accounts payable and accrued liabilities	(8,257)
Net other assets and liabilities	(5,180)
Net assets of discontinued operations	\$36,431

For the years ended December 30, 2017 and December 31, 2016, there were no material amounts of depreciation, amortization, capital expenditures, or significant operating or investing non-cash items related to discontinued operations.

(5) Earnings Per Share

Basic earnings per share (“EPS”) was computed by dividing net income by the number of weighted average shares of common stock outstanding during the period. Diluted EPS was calculated to give effect to all potentially dilutive shares of common stock using the treasury stock method. In 2015, the Company implemented a four-for-one stock split on the Company’s common stock in the form of a 300% stock dividend.

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

	Years Ended		
	December 30, 2017	December 31, 2016	January 2, 2016
Basic weighted average shares outstanding	367,680	381,782	399,891
Effect of potentially dilutive securities:			
Stock options	1,435	1,983	2,719
Restricted stock units	307	756	1,009
Employee stock purchase plan and other	4	45	40
Diluted weighted average shares outstanding	369,426	384,566	403,659

Restricted stock units totaling 488, 303 and 348 units were excluded from the diluted earnings per share calculation because their effect would be anti-dilutive for 2017, 2016 and 2015, respectively. In 2017, 2016 and 2015, there were no anti-dilutive options to purchase shares of common stock.

(6) Stock-Based Compensation

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

Stock Options

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

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

	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term (Years)
Options outstanding at January 3, 2015	7,292	\$5.92	\$158,469	3.40
Exercised	(4,540)	6.10		
Options outstanding at January 2, 2016	2,752	\$5.62	\$65,531	2.88
Exercised	(477)	5.90		
Options outstanding at December 31, 2016	2,275	\$5.56	\$36,438	2.20
Exercised	(736)	6.22		
Options outstanding and exercisable at December 30, 2017	1,539	\$5.24	\$24,108	1.76

The total intrinsic value of options that were exercised during 2017, 2016 and 2015 was \$10,821, \$7,465 and \$105,899 respectively.

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Notes to Consolidated Financial Statements — (Continued)
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Stock Unit Awards

Restricted stock units (RSUs) of the Company's stock are granted to certain Company non-employee directors and employees to incent performance and retention over periods of one to four years, respectively. Upon vesting, the RSUs are converted into shares of the Company's common stock on a one-for-one basis and issued to the grantees. Some RSUs which have been granted under the Omnibus Incentive Plan vest upon continued future service to the Company, while others also have a performance-based vesting feature. The cost of these awards is determined using the fair value of the shares on the date of grant, and compensation expense is recognized over the period during which the grantees provide the requisite service to the Company. A summary of the changes in the restricted stock unit awards outstanding under the Omnibus Incentive Plan is presented below:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term (Years)
Nonvested share units outstanding at January 3, 2015	3,418	\$16.12	\$94,521	1.71
Granted — non-performanced based	516	31.06		
Granted — performanced based	828	23.50		
Vested	(1,816)	11.45		
Forfeited	(113)	16.87		
Nonvested share units outstanding at January 2, 2016	2,833	\$23.99	\$83,381	1.78
Granted — non-performanced based	748	23.44		
Granted — performanced based	511	23.64		
Vested	(1,525)	19.47		
Forfeited	(47)	23.38		
Nonvested share units outstanding at December 31, 2016	2,520	\$26.46	\$54,356	2.11
Granted — non-performanced based	628	21.22		
Granted — performanced based	590	23.04		
Vested	(991)	26.74		
Forfeited	(81)	26.81		
Nonvested share units outstanding at December 30, 2017	2,666	\$24.36	\$55,741	2.00

The total fair value of shares vested during 2017, 2016 and 2015 was \$26,510, \$29,705 and \$20,784, respectively. Certain participants elected to defer receipt of shares earned upon vesting.

In addition to granting RSUs that vest solely upon continued future service to the Company, the Company also grants performance-based restricted stock units where the number of shares of the Company's common stock that will be received upon vesting range from 0% to 200% of the number of units granted based on the Company's achievement of certain performance metrics. These performance-based stock awards, which are included in the table above, represent awards that are earned based on future performance and service. As reported in the above table, the number of performance-based restricted stock units granted each year represents the initial units granted on the date of grant plus any additional units that were earned based on the final achievement of the respective performance thresholds.

For all share-based payments under the Omnibus Incentive Plan, during 2017, 2016 and 2015, the Company recognized total compensation expense of \$23,224, \$30,617 and \$29,154 and recognized a deferred tax benefit of \$6,085, \$11,754 and \$11,382, respectively.

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At December 30, 2017, there was \$10,037 of total unrecognized compensation cost related to non-vested stock-based compensation arrangements, of which \$6,837, \$2,456 and \$744 is expected to be recognized in 2018, 2019 and 2020, respectively. The Company satisfies the requirement for common shares for share-based payments to employees pursuant to the Omnibus Incentive Plan by issuing newly authorized shares. The Omnibus Incentive Plan authorized 63,220 shares for awards of stock options and restricted stock units, of which 9,533 were available for future grants as of December 30, 2017.

(7) Trade Accounts Receivable

Allowances for Trade Accounts Receivable

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

	Allowance for Doubtful Accounts	Allowance for Chargebacks and Other Deductions (1)	Total
Balance at January 3, 2015	\$8,117	\$8,739	\$16,856
Charged to expenses	4,656	8,675	13,331
Deductions and write-offs	(7,844)	(7,840)	(15,684)
Currency translation	(1,180)	(223)	(1,403)
Balance at January 2, 2016	\$3,749	\$9,351	\$13,100
Charged to expenses	3,650	19,820	23,470
Deductions and write-offs	(381)	(16,259)	(16,640)
Currency translation	(360)	(844)	(1,204)
Balance at December 31, 2016	\$6,658	\$12,068	\$18,726
Charged to expenses	6,642	16,169	22,811
Deductions and write-offs	(632)	(18,264)	(18,896)
Currency translation	904	2,551	3,455
Balance at December 30, 2017	\$13,572	\$12,524	\$26,096

(1) The balances presented herein reflect the prior year reclassification from the "Accounts Receivable" line as disclosed in Note, "Basis of Presentation."

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

Sales of Accounts Receivable

The Company has entered into agreements to sell selected trade accounts receivable to financial institutions. After the sale, the Company does not retain any interests in the receivables and the applicable financial institution services and collects these accounts receivable directly from the customer. Net proceeds of these accounts receivable sale programs are recognized in the Consolidated Statements of Cash Flows as part of operating cash flows. The Company recognized funding fees of \$6,059, \$4,497 and \$2,452 in 2017, 2016 and 2015, respectively, for sales of accounts receivable to financial institutions in the "Other expenses" line in the Consolidated Statements of Income.

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(8) Inventories

Inventories consisted of the following:

	December 30, 2017	December 31, 2016
Raw materials	\$129,287	\$131,228
Work in process	226,659	185,066
Finished goods	1,519,044	1,524,271
	\$1,874,990	\$1,840,565

(9) Property, Net

Property is summarized as follows:

	December 30, 2017	December 31, 2016
Land	\$45,882	\$43,731
Buildings and improvements	486,893	566,819
Machinery and equipment	1,063,661	977,312
Construction in progress	33,922	49,887
Capital leases	7,133	4,761
	1,637,491	1,642,510
Less accumulated depreciation	1,013,500	950,046
Property, net	\$623,991	\$692,464

(10) Notes Payable

The Company had short-term revolving facilities in the following locations at December 30, 2017 and December 31, 2016:

	Interest Rate as of December 30, 2017	Principal Amount	
		December 30, 2017	December 31, 2016
Europe	Various	\$10,072	\$54,772
Philippines	5.99%	1,801	1,265
Australia	—	—	359
		\$11,873	\$56,396

As of December 30, 2017 and December 31, 2016, the Company had total borrowing availability of \$133,708 and \$80,210, respectively, under its international notes payable facilities. Total interest paid on notes payable was \$364, \$1,103 and \$716 in 2017, 2016 and 2015, respectively. The Company was in compliance with the financial covenants contained in each of the facilities at December 30, 2017.

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(11) Debt

The Company had the following debt at December 30, 2017 and December 31, 2016:

	Interest Rate as of December 30, 2017	Principal Amount		Maturity Date
		December 30, 2017	December 31, 2016	
Senior Secured Credit Facility:				
Revolving Loan Facility	—	\$—	\$—	December 2022
Term Loan A	2.99%	750,000	655,469	December 2022
Term Loan B	3.23%	500,000	318,625	December 2024
Australian Term A-1	3.23%	135,826	143,544	July 2019
Australian Term A-2	—	—	143,544	July 2021
4.875% Senior Notes	4.88%	900,000	900,000	May 2026
4.625% Senior Notes	4.63%	900,000	900,000	May 2024
3.5% Senior Notes	3.50%	599,649	520,617	June 2024
European Revolving Loan Facility	1.50%	81,539	62,474	September 2018
Accounts Receivable Securitization Facility	2.31%	125,209	44,521	March 2018
Other International Debt	Various	1,044	43,789	Various
		3,993,267	3,732,583	
Less long-term debt issuance cost		41,624	46,534	
Less current maturities		249,589	178,364	
		\$3,702,054	\$3,507,685	

The Company's primary financing arrangements are the senior secured credit facility (the "Senior Secured Credit Facility"), 4.875% senior notes (the "4.875% Senior Notes"), 4.625% senior notes (the "4.625% Senior Notes"), 3.5% senior notes (the "3.5% Senior Notes"), the Accounts Receivable Securitization Facility and the European Revolving Loan Facility. The outstanding balances at December 30, 2017 are reported in the "Current portion of long-term debt", "Long-term debt" and "Accounts Receivable Securitization Facility" lines of the Consolidated Balance Sheets.

Total cash paid for interest related to debt in 2017, 2016 and 2015 was \$164,716, \$130,603 and \$106,231, respectively.

Senior Secured Credit Facility

On December 15, 2017, the Company refinanced its Senior Secured Credit Facility to extend the maturity date of the revolving loan facility (the "Revolving Loan Facility") to December 2022 and re-price at favorable rates, extend the maturity date of the Term Loan A to December 2022 and re-price at favorable rates, extend the maturity date of the Term Loan B to December 2024 and re-price at favorable rates, and add an additional \$325,750 in term loan borrowings (\$144,375 for Term Loan A and \$181,375 for Term Loan B). The Company incurred \$11,935 in fees related to this refinancing. The proceeds of the Term Loan A and the Term Loan B were used to pay down existing borrowings under the Senior Secured Credit Facility and pay fees and expenses in connection with the closing of the Senior Secured Credit Facility. Proceeds of the Revolving Loan Facility are used for general corporate purposes and working capital needs.

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

Outstanding borrowings under the Term Loan A are repayable in 1.25% quarterly installments, with the remainder of the outstanding principal to be repaid at maturity.

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

A portion of the Revolving Loan Facility is available for the issuances of letters of credit and the making of swingline loans, and any such issuance of letters of credit or making of a swingline loan will reduce the amount available under the Revolving Loan Facility. At the Company's option, it may add one or more term loan facilities or increase the commitments under the Revolving Loan Facility so long as certain conditions are satisfied, including, among others, that no default or event of default is in existence, that the Company is in pro forma compliance with the financial covenants described below and that the Company's senior secured leverage ratio is less than 3.50 to 1 on a pro forma basis after giving effect to the incurrence of such indebtedness. As of December 30, 2017, the Company had \$4,518 of standby and trade letters of credit issued and outstanding under the Revolving Loan Facility and \$995,482 of borrowing availability.

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

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

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

Borrowings under the Revolving Loan Facility, the Term Loan A and the Term Loan B bear interest based on the LIBOR rate or the "base rate" plus, in each case, an applicable margin. The applicable margin for the Revolving Loan Facility and the Term Loan A is determined by reference to a leverage-based pricing grid set forth in the Senior Secured Credit Facility, ranging from a maximum of 2.00% in the case of LIBOR-based loans and 1.00% in the case of Base Rate loans if the Company's leverage ratio is greater than or equal to 4.50 to 1.00, and will step down in 0.25% increments to a minimum of 1.00% in the case of LIBOR-based loans and 0.00% in the case of Base Rate loans if the Company's leverage ratio is less than 2.25 to 1.00. The applicable margin under the Term Loan B is 1.75% in the case of LIBOR-based loans and 0.75% in the case of Base Rate loans.

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The Senior Secured Credit Facility requires the Company to comply with customary affirmative, negative and financial covenants. The Senior Secured Credit Facility requires that the Company maintain a minimum interest coverage ratio and a maximum total debt to EBITDA (earnings before interest, income taxes, depreciation expense and amortization, as computed pursuant to the Senior Secured Credit Facility), or leverage ratio. The interest coverage ratio covenant requires that the ratio of the Company's EBITDA for the preceding four fiscal quarters to its consolidated total interest expense for such period shall not be less than 3.00 to 1.00 for each fiscal quarter. The leverage ratio covenant requires that the ratio of the Company's total debt to EBITDA for the preceding four fiscal quarters will not be more than 4.50 to 1.00 for each fiscal quarter provided that, following a permitted acquisition in which the consideration is at least \$200,000, such maximum leverage ratio covenant shall be increased to 5.00 to 1.00 for each fiscal quarter ending in the succeeding 12-month period following such permitted acquisition. The method of calculating all of the components used in the covenants is included in the Senior Secured Credit Facility.

In addition, the commitment fee for the unused portion of revolving loan commitments made by the lenders is between 25 and 40 basis points based on the applicable commitment fee margin in effect from time to time. When the leverage ratio (as defined in the Senior Secured Credit Facility) is greater than or equal to 4.50 to 1.00, the commitment fee margin is 0.400%. When the leverage ratio is less than 4.50 to 1.00 but greater than or equal to 3.00 to 1.00, the applicable commitment fee margin is 0.300%. When the leverage ratio is less than 3.00 to 1.00, the applicable commitment fee margin is 0.250%.

The Senior Secured Credit Facility contains customary events of default, including nonpayment of principal when due; nonpayment of interest, fees or other amounts after stated grace period; material inaccuracy of representations and warranties; violations of covenants; certain bankruptcies and liquidations; any cross-default to material indebtedness; certain material judgments; certain events related to the ERISA, actual or asserted invalidity of any guarantee, security document or subordination provision or non-perfection of security interest, and a change in control (as defined in the Senior Secured Credit Facility). As of December 30, 2017 the Company was in compliance with all financial covenants.

Senior Notes Refinancing

In 2016, the Company refinanced its debt structure which reduced interest rates, increased borrowing capacity, increased the proportion of fixed rate debt and helped fund the acquisitions of Champion Europe and Hanes Australasia. The refinancing: (i) issued \$900,000 aggregate principal amount of the 4.875% Senior Notes due 2026, \$900,000 aggregate principal amount of the 4.625% Senior Notes due 2024, and €500,000 aggregate principal amount of the 3.5% Senior Notes due 2024; (ii) redeemed in full the Company's 6.375% Senior Notes due 2020; and (iii) repaid a portion of the indebtedness outstanding under the Revolving Loan Facility.

The refinancing activity resulted in the incurrence of \$39,523 in capitalized debt issuance costs for the new Senior Notes. Debt issuance costs are amortized to interest expense over the respective lives of the debt instruments, which range from eight to 10 years.

4.875% Senior Notes and 4.625% Senior Notes

On May 6, 2016, the Company issued \$900,000 aggregate principal amount of 4.875% Senior Notes and \$900,000 aggregate principal amount of 4.625% Senior Notes (collectively, the "USD Senior Notes"), with interest payable on May 15 and November 15 of each year. The 4.875% Senior Notes will mature on May 15, 2026 and the 4.625% Senior Notes will mature on May 15, 2024. The sale of the USD Senior Notes resulted in collective net proceeds from the sale of approximately \$1,773,000, which were used to repay all outstanding borrowings under the 6.375% Senior Notes and reduce the outstanding borrowings under the Revolving Loan Facility.

On or after February 15, 2026, in the case of the 4.875% Senior Notes, and February 15, 2024, in the case of the 4.625% Senior Notes, the Company may redeem all or a portion of such notes at a price equal to 100% of the principal amount, plus any accrued and unpaid interest.

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The USD Senior Notes are senior unsecured obligations of the Company and are fully and unconditionally guaranteed, subject to certain exceptions, by substantially all of the Company's current domestic subsidiaries. The indenture governing the USD Senior Notes limits the ability of the Company and its subsidiaries to incur liens, enter into certain sale and leaseback transactions and consolidate, merge or sell all or substantially all of their assets. The indenture also contains customary events of default which include (subject in certain cases to customary grace and cure periods), among others, nonpayment of principal or interest; breach of other agreements in such indenture; failure to pay certain other indebtedness; failure to pay certain final judgments; failure of certain guarantees to be enforceable; and certain events of bankruptcy or insolvency.

The USD Senior Notes were issued in a transaction exempt from registration under the Securities Act and do not require disclosure of separate financial information for the guarantor subsidiaries.

3.5% Senior Notes

On June 3, 2016, the Company issued €500,000 aggregate principal amount of 3.5% Senior Notes, with interest payable on June 15 and December 15 of each year. The Notes will mature on June 15, 2024. The sale of the notes resulted in net proceeds of approximately €492,500, which were used to help fund the acquisition of Champion Europe and Hanes Australasia.

On or after March 15, 2024, the Company may redeem all or a portion of the 3.5% Senior Notes at a price equal to 100% of the principal amount, plus any accrued and unpaid interest. The Company may also redeem all, but not less than all, of the notes upon the occurrence of certain changes in applicable tax law.

The 3.5% Senior Notes are senior unsecured obligations of the Company and are fully and unconditionally guaranteed, subject to certain exceptions, by the Company and certain of its subsidiaries that guarantee the Company's Euro Term Loan facility, which was paid in full in August 2016, under the Company's Senior Secured Credit Facility. The indenture governing the 3.5% Senior Notes limits the ability of the Company and each of the guarantors of the Notes (including the Company) to incur certain liens, enter into certain sale and leaseback transactions and consolidate, merge or sell all or substantially all of their assets. The indenture also contains customary events of default which include (subject in certain cases to customary grace and cure periods), among others, nonpayment of principal or interest; breach of other agreements in the indenture; failure to pay certain other indebtedness; certain events of bankruptcy, insolvency or reorganization; failure to pay certain final judgments; and failure of certain guarantees to be enforceable.

The 3.5% Senior Notes were issued in a transaction exempt from registration under the Securities Act and do not require disclosure of separate financial information for the guarantor subsidiaries.

Accounts Receivable Securitization Facility

The Accounts Receivable Securitization Facility provides for up to \$275,000 in funding accounted for as a secured borrowing, limited to the availability of eligible receivables, and is secured by certain domestic trade receivables. Under the terms of the Accounts Receivable Securitization Facility, the Company and certain of its subsidiaries sell, on a revolving basis, certain domestic trade receivables to HBI Receivables LLC ("Receivables LLC"), a wholly owned bankruptcy-remote subsidiary that in turn uses the trade receivables to secure the borrowings, which are funded through conduits and financial institutions that are not affiliated with the Company. The commitments of any conduits party to the Accounts Receivable Securitization Facility are funded through the issuance of commercial paper in the short-term market or through committed bank purchasers if the conduits fail to fund. The assets and liabilities of Receivables LLC are fully reflected on the Consolidated Balance Sheet, and the securitization is treated as a secured borrowing for accounting purposes, but the assets of Receivables LLC will be used first to satisfy the creditors of Receivables LLC, not the Company's creditors. The borrowings under the Accounts Receivable Securitization Facility remain outstanding throughout the term of the agreement subject to the Company maintaining sufficient eligible receivables, by continuing to sell trade receivables to Receivables LLC, unless an event of default occurs. In March 2017, the Company amended the Accounts Receivable Securitization Facility primarily to extend the termination date to March 2018.

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Availability of funding under the Accounts Receivable Securitization Facility depends primarily upon the eligible outstanding receivables balance. The outstanding balance under the Accounts Receivable Securitization Facility is reported on the Consolidated Balance Sheet in the line “Accounts Receivable Securitization Facility.” In the case of any creditors party to the Accounts Receivable Securitization Facility that are conduits, unless the conduits fail to fund, the yield on the commercial paper, which is the conduits’ cost to issue the commercial paper plus certain dealer fees, is considered a financing cost and is included in interest expense on the Consolidated Statement of Income. If the conduits fail to fund, the Accounts Receivable Securitization Facility would be funded through committed bank purchasers, and the interest rate would be payable at the Company’s option at the rate announced from time to time by HSBC Bank USA, N.A. as its prime rate or at the LIBO Rate (as defined in the Accounts Receivable Securitization Facility) plus the applicable margin in effect from time to time. In the case of borrowings from any other creditors party to the Accounts Receivable Securitization Facility that are not conduits or their related committed bank purchasers, the interest rate is payable at the LIBO Rate (as defined in the Accounts Receivable Securitization Facility) or, if this rate is unavailable or otherwise does not accurately reflect the costs to these creditors related to the borrowings, the prime rate. These amounts are also considered financing costs and are included in interest expense on the Consolidated Statement of Income. In addition, HBI Receivables LLC is required to make certain payments to a conduit purchaser, a committed purchaser, or certain entities that provide funding to or are affiliated with them, in the event that assets and liabilities of a conduit purchaser are consolidated for financial and/or regulatory accounting purposes with certain other entities.

The Accounts Receivable Securitization Facility contains customary events of default and requires the Company to maintain the same interest coverage ratio and leverage ratio contained from time to time in the Senior Secured Credit Facility, provided that any changes to such covenants will only be applicable for purposes of the Accounts Receivable Securitization Facility if approved by the Managing Agents or their affiliates. As of December 30, 2017, the Company was in compliance with all financial covenants.

The total amount of receivables used as collateral for the credit facility was \$413,046 at December 30, 2017 and is reported on the Company’s Consolidated Balance Sheet in “Trade accounts receivable, net.”

Australian Term A-1, Australian Term A-2, and Australian Revolver

On July 4, 2016, the Company established a floating rate AUD\$200,000 Australian Term A-1 Loan Facility (the “Australian Term A-1”) with interest payable every three or six months. The Australian Term A-1 matures on July 7, 2019. In addition, on July 4, 2016 the Company established a floating rate AUD\$200,000 Australian Term A-2 Loan Facility (the “Australian Term A-2”) with interest payable every three or six months. The Australian Term A-2 loan was paid off in November 2017. On July 15, 2016 the Company established the Australian Revolving Facility (the “Australian Revolver”) in the amount of AUD\$65,000 with interest payable at a variable rate. The Australian Revolver will mature on July 15, 2021. The Australian Term A-1, Australian Term A-2 and Australian Revolver interest rates are based on the Bank Bill Swap Bid Rate (“BBSY”) plus an applicable margin which is driven by the Company’s debt rating.

The Australian Term A-1 and the Australian Term A-2 were issued to help fund the Hanes Australasia acquisition while the Revolver will be utilized for future working capital requirements. The Australian Term A-1, Australian Term A-2, and Australian Revolver were established under the Company’s Syndicated Facility, a joinder to the Company’s Senior Secured Credit Facility.

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

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Under the terms of the Syndicated Facility Agreement, the leverage ratio covenant requires that the ratio of the Company's total debt to EBITDA for the preceding four fiscal quarters will not be more than 4.50:1.00 for each fiscal quarter provided that, following a permitted acquisition in which the consideration is at least \$200,000, such maximum leverage ratio covenant shall be increased to 5.00:1.00 for each fiscal quarter in the succeeding 12-month period following such permitted acquisition.

There was not a balance or letters of credit issued and outstanding under the Australian Revolving Loan Facility at December 30, 2017, and the Company had \$50,497 of borrowing availability.

European Revolving Loan Facility

On September 9, 2016, the Company established a €100,000 European Revolving Loan Facility. Proceeds from the European Revolving Loan Facility were used to refinance existing debt for Hanes Europe Innerwear and will be used for future working capital requirements. The maturity date of the European Revolving Loan Facility is September 6, 2018.

The Company may from time to time voluntarily prepay the European Revolving Loan Facility in whole or in part without a premium or penalty provided that among other items, principal payments be made in amounts of €5,000 or in whole multiple of €1,000 in excess thereof. Any prepayment of principal shall be accompanied by all accrued interest on the amount prepaid.

Interest under the European Revolving Credit Facility is calculated using LIBOR for Euro with a zero floor plus a 150 basis point margin. Interest is based on the outstanding principal amount for each interest period from the applicable borrowing date at a rate per annum equal to the Eurocurrency Rate for such interest period plus the applicable rate.

In September 2017, the Company amended the European Revolving Loan Facility primarily to extend the maturity date to September 2018.

At December 30, 2017, the Company had \$37,339 of borrowing availability, taking into account the outstanding balance at the end of the year.

Future Principal Payments

Future principal payments for all of the facilities described above are as follows: \$249,589 due in 2018, \$179,029 due in 2019, \$42,500 due in 2020, \$42,500 due in 2021, \$605,000 due in 2022 and \$2,874,649 due in 2023 and thereafter.

Debt Issuance Costs

During 2017, 2016 and 2015, the Company incurred \$9,130, \$45,065 and \$12,793, respectively, in capitalized debt issuance costs in connection with the amendments to the Senior Secured Credit Facility, the Accounts Receivable Securitization Facility, issuance of new Senior Notes, the Australian Revolving Loan Facility, the Australian Accounts Receivable Securitization Facility and the European Revolving Loan Facility. Debt issuance costs are amortized to interest expense over the respective lives of the debt instruments, which range from one to 10 years. As of December 30, 2017, the net carrying value of unamortized debt issuance costs for the revolving loan facilities, which is included in "Other Noncurrent Assets" in the Consolidated Balance Sheet, was \$10,575 and the net carrying value of unamortized debt issuance costs for the remainder of the Company's debt, is included in "Long-term debt" in the Consolidated Balance Sheet was \$41,624. The Company's debt issuance cost amortization was \$10,394, \$9,034 and \$7,077 in 2017, 2016 and 2015, respectively.

The Company recognizes charges in the "Other expenses" line of the Consolidated Statements of Income for fees incurred in financing transactions such as refinancing, amendments and write-offs incurred in the early extinguishment of debt. In 2017, the Company recognized charges of \$380 for acceleration of unamortized debt costs related to the Euro Term Loan, \$1,909 for the Australian Term Loans, and \$1,739 for the Refinancing of the US Term Loans. In 2016, the Company recognized charges of \$873

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for acceleration of unamortized debt costs related to the Euro Term Loan, which was paid in full in August 2016. In 2016, the Company recognized charges of \$47,291 for the call premium and acceleration of unamortized debt costs related to the redemption of the 6.375% Senior Notes.

(12) Commitments and Contingencies

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

Purchase Commitments

In the ordinary course of business, the Company has entered into purchase commitments for raw materials, production and finished goods. These agreements, typically with terms ending within a year, require total payments of \$418,038 in 2018, \$3,318 in 2019 and none thereafter.

Operating Leases

The Company leases certain buildings and equipment under agreements that are classified as operating leases. Rental expense under operating leases was \$184,603, \$132,128 and \$103,621 in 2017, 2016 and 2015, respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) are as follows: \$137,959 in 2018, \$114,326 in 2019, \$97,850 in 2020, \$81,390 in 2021, \$65,608 in 2022 and \$125,163 thereafter.

License Agreements

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

During 2017, 2016 and 2015, the Company incurred royalty expense of approximately \$100,869, \$95,650 and \$84,733, respectively.

Minimum amounts due under the license agreements are approximately \$45,086 in 2018, \$60,688 in 2019, \$50,160 in 2020, \$7,289 in 2021, \$6,844 in 2022 and \$27,596 thereafter.

(13) Intangible Assets and Goodwill

As described in Note, "Acquisitions," the Company acquired Alternative Apparel in October 2017, Hanes Australasia in July 2016, Champion Europe in June 2016 and GTM and Universo in September 2016, which resulted in the recognition of certain intangible assets and goodwill. In addition, during 2017, the Company elected to assign a useful life of 12 years to both the Knights Apparel and ProEdge brands and related trademarks, shifting them from indefinite lived intangible assets. As a result, beginning on January 1, 2017, the Company began amortizing these trademarks. Also, the Company elected to cease amortization of the Playtex Domestic trademark, shifting it from a useful life of 30 years to an indefinite life in 2016.

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(a) Intangible Assets

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

	Gross	Accumulated Amortization	Net Book Value
Year ended December 30, 2017:			
Intangible assets subject to amortization:			
Trademarks and brand names	\$35,498	\$24,694	\$10,804
Licensing agreements	103,366	42,218	61,148
Customer and distributor relationships	172,820	42,010	130,810
Computer software	116,273	83,390	32,883
Other intangibles	2,131	397	1,734
	<u>\$430,088</u>	<u>\$192,709</u>	<u>237,379</u>
Intangible assets not subject to amortization:			
Trademarks			1,089,742
Perpetual licensing agreements and other			75,736
Net book value of intangible assets			<u>\$1,402,857</u>
Year ended December 31, 2016:			
Intangible assets subject to amortization:			
Trademarks and brand names	\$28,617	\$28,607	\$10
Licensing agreements	102,069	33,397	68,672
Customer and distributor relationships	156,340	26,153	130,187
Computer software	88,213	68,318	19,895
Other intangibles	(1,498)	(994)	(504)
	<u>\$373,741</u>	<u>\$155,481</u>	<u>218,260</u>
Intangible assets not subject to amortization:			
Trademarks			999,170
Perpetual licensing agreements			68,028
Net book value of intangible assets			<u>\$1,285,458</u>

The amortization expense for intangible assets subject to amortization was \$34,892, \$22,118 and \$23,737 for 2017, 2016 and 2015, respectively. The estimated amortization expense for the next five years, assuming no change in the estimated useful lives of identifiable intangible assets or changes in foreign exchange rates is as follows: \$32,096 in 2018, \$32,811 in 2019, \$30,465 in 2020, \$27,087 in 2021 and \$25,583 in 2022.

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(b) Goodwill

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

	Innerwear	Activewear	International	Other	Total
Net book value at January 2, 2016	\$431,561	\$289,153	\$110,377	\$3,224	\$834,315
Acquisition of businesses	—	2,290	285,236	—	287,526
Currency translation	—	—	(23,301)	—	(23,301)
Net book value at December 31, 2016	\$431,561	\$291,443	\$372,312	\$3,224	\$1,098,540
Acquisition of businesses	—	25,248	3,351	—	28,599
Segment change	(24,708)	259	—	24,449	—
Currency translation	—	—	39,868	—	39,868
Net book value at December 30, 2017	\$406,853	\$316,950	\$415,531	\$27,673	\$1,167,007

(14) Accumulated Other Comprehensive Loss

The components of AOCI are as follows:

	Cumulative Translation Adjustment	Hedges	Defined Benefit Plans	Income Taxes	Accumulated Other Comprehensive Loss
Balance at January 2, 2016	\$(57,675)	\$6,743	\$(563,759)	\$219,758	\$(394,933)
Amounts reclassified from accumulated other comprehensive loss	—	(3,966)	17,116	(5,030)	8,120
Current-period other comprehensive income (loss) activity	(20,384)	10,995	(59,940)	20,151	(49,178)
Balance at December 31, 2016	\$(78,059)	\$13,772	\$(606,583)	\$234,879	\$(435,991)
Amounts reclassified from accumulated other comprehensive loss	—	(1,825)	19,062	(7,095)	10,142
Current-period other comprehensive income (loss) activity	34,554	(37,408)	(26,479)	15,976	(13,357)
Balance at December 30, 2017	\$(43,505)	\$(25,461)	\$(614,000)	\$243,760	\$(439,206)

The Company had the following reclassifications out of AOCI:

Component of AOCI	Location of Reclassification into Income	Amount of Reclassification from AOCI		
		December 30, 2017	December 31, 2016	January 2, 2016
Loss on foreign exchange contracts	Cost of sales	\$(1,825)	\$(3,966)	\$(11,968)
	Income tax	225	1,543	4,655
	Net of tax	\$(1,600)	\$(2,423)	\$(7,313)
Amortization of deferred actuarial loss and prior service cost	Selling, general and administrative expenses	\$19,062	\$17,116	\$14,573
	Income tax	(7,320)	(6,573)	(5,669)
	Net of tax	\$11,742	\$10,543	\$8,904
Total reclassifications		\$10,142	\$8,120	\$1,591

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(15) Financial Instruments and Risk Management

The Company uses forward foreign exchange contracts to manage its exposures to movements in foreign exchange rates. As of December 30, 2017, the notional U.S. dollar equivalent of commitments to sell foreign currencies within the Company's derivative portfolio were \$584,582, consisting of contracts hedging exposures primarily related to the Australian dollar, Euro, Canadian dollar, Mexican peso, and the New Zealand dollar. As of December 30, 2017, the Company did not have any commitments to purchase foreign currencies within the Company's derivative portfolio.

As of December 31, 2016, the notional U.S. dollar equivalent of commitments to sell foreign currencies within the Company's derivative portfolio were \$451,355 consisting of contracts hedging exposures primarily related to the Euro, Australian dollar, Canadian dollar, Mexican peso, New Zealand dollar and Brazilian real. As of December 31, 2016, the Company did not have any commitments to purchase foreign currencies within the Company's derivative portfolio.

Fair Values of Derivative Instruments

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

	Balance Sheet Location	Fair Value	
		December 30, 2017	December 31, 2016
Hedges	Other current assets	\$1,464	\$16,729
Non-hedges	Other current assets	136	4,363
Total derivative assets		\$1,600	\$21,092
Hedges	Accrued liabilities	\$(14,750)	\$(207)
Non-hedges	Accrued liabilities	(7,818)	(172)
Total derivative liabilities		\$(22,568)	\$(379)
Net derivative asset (liability)		\$(20,968)	\$20,713

Cash Flow Hedges

The Company uses forward foreign exchange contracts to reduce the effect of fluctuating foreign currencies on short-term foreign currency-denominated transactions, foreign currency-denominated investments, and other known foreign currency exposures. Gains and losses on these contracts are intended to offset losses and gains on the hedged transaction in an effort to reduce the earnings volatility resulting from fluctuating foreign currency exchange rates.

The Company expects to reclassify into earnings during the next 12 months a net loss from AOCI of approximately \$16,933.

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

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

		Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Loss (Effective Portion) Year Ended		
		December 30, 2017	December 31, 2016	January 2, 2016
Foreign exchange contracts		\$(37,408)	\$10,995	\$13,423

	Location of Gain Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Effective Portion)	Amount of Gain Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion) Year Ended		
		December 30, 2017	December 31, 2016	January 2, 2016
Foreign exchange contracts	Cost of sales	\$1,825	\$3,966	\$11,968

Derivative Contracts Not Designated As Hedges

The Company uses foreign exchange derivative contracts as economic hedges against the impact of foreign exchange fluctuations on anticipated intercompany purchase and lending transactions denominated in foreign currencies. Gains or losses on these contracts largely offset the net remeasurement gains or losses on the related assets and liabilities.

The effect of derivative contracts not designated as hedges on the Consolidated Statements of Income is as follows:

	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income Year Ended		
		December 30, 2017	December 31, 2016	January 2, 2016
Foreign exchange contracts	Selling, general and administrative expenses	\$114	\$12,222	\$(9,271)

(16) Fair Value of Assets and Liabilities

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

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

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

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The Company primarily applies the market approach for commodity derivatives and for all defined benefit plan investment assets and the income approach for interest rate and foreign currency derivatives for recurring fair value measurements and attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The determination of fair values incorporates various factors that include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Company's nonperformance risk on its liabilities. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

As of December 30, 2017 and December 31, 2016, the Company held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. These consisted of the Company's derivative instruments related to foreign exchange rates, defined benefit pension plan investment assets, deferred compensation plan liabilities and contingent consideration resulting from the Champion Europe acquisition. The fair values of foreign exchange rate derivatives are determined using the cash flows of the foreign exchange contract, discount rates to account for the passage of time and current foreign exchange market data which are all based on inputs readily available in public markets and are categorized as Level 2. The fair value of deferred compensation plans is based on readily available current market data and is categorized as Level 2. The fair value of the contingent consideration obligation was determined by applying a multiple of 10 times Champion Europe's EBITDA for calendar year 2016 in excess of €18,600, as defined per the purchase agreement, as further described in Note, "Acquisitions," to the Company's consolidated financial statements, and was formerly categorized as Level 3 at December 31, 2016. On April 28, 2017, an initial payment of €37,820 (\$41,250) was made to the sellers towards the contingent consideration liability, which represented the mutually agreed portion of the contingent consideration at said date. Upon final settlement negotiations in January 2018, management has accrued €26,430 (\$31,419) at December 30, 2017 to reflect the fair value of the contingent consideration to be paid in 2018. The Company no longer has to measure the contingent consideration liability fair value on a recurring basis and has removed the liability from the fair value hierarchy table at December 30, 2017. The fair values of defined benefit pension plan investments include: certain U.S. equity securities, certain foreign equity securities, cash and cash equivalents and debt securities that are determined based on quoted prices in public markets categorized as Level 1; insurance contracts that are determined based on inputs readily available in public markets or can be derived from information available in publicly quoted markets categorized as Level 2; certain U.S. equity securities, certain foreign equity securities, debt securities, insurance contracts and commodity investments measured at their net asset value, which is determined based on inputs readily available in public markets; and investments in hedge funds of funds and real estate investments that are based on unobservable inputs about which little or no market data exists and are measured at a net asset value. Assets valued utilizing a net asset value are not required to be classified within the fair value hierarchy. There were no changes during 2017 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis.

As of December 30, 2017, the Company did not have any non-financial assets or liabilities that are required to be measured at fair value on a recurring basis.

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The following tables set forth by level within the fair value hierarchy the Company's financial assets and liabilities accounted for at fair value on a recurring basis.

	Assets (Liabilities) at Fair Value as of December 30, 2017			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Defined benefit pension plan investment assets:				
U.S. equity securities	\$172,558	\$172,558	\$—	\$—
Foreign equity securities	40,920	40,920	—	—
Debt securities	52,331	52,331	—	—
Cash and other	2,595	2,595	—	—
Insurance contracts	2,194	—	2,194	—
Total plan assets in the fair value hierarchy	270,598	268,404	2,194	—
Plan assets measured at net asset value: (1)				
Hedge fund of funds	328,511			
Foreign equity securities	109,525			
Debt securities	102,531			
Real estate	42,996			
Commodities	18,525			
Total plan assets measured at net asset value	602,088			
Total plan assets	872,686			
Derivative contracts:				
Foreign exchange derivative contracts	1,600	—	1,600	—
Foreign exchange derivative contracts	(22,568)	—	(22,568)	—
	(20,968)	—	(20,968)	—
Deferred compensation plan liability	(52,758)	—	(52,758)	—
Total	\$798,960	\$268,404	\$(71,532)	\$—

- (1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

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	Total	Assets (Liabilities) at Fair Value as of December 31, 2016		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Defined benefit pension plan investment assets:				
U.S. equity securities	\$147,702	\$147,702	\$—	\$—
Foreign equity securities	33,511	33,511	—	—
Debt securities	49,128	49,128	—	—
Cash and other	2,234	2,234	—	—
Insurance contracts	3,334	—	3,334	—
Total plan assets in the fair value hierarchy	235,909	232,575	3,334	—
Plan assets measured at net asset value: (1)				
Hedge fund of funds	326,298			
U.S. equity securities (2)	19,848			
Foreign equity securities (2)	88,933			
Debt securities (2)	95,634			
Real estate	42,869			
Commodities (2)	17,678			
Total plan assets measured at net asset value	591,260			
Total plan assets	827,169			
Derivative contracts:				
Foreign exchange derivative contracts	21,092	—	21,092	—
Foreign exchange derivative contracts	(379)	—	(379)	—
	20,713	—	20,713	—
Champion Europe contingent consideration (3)	(42,378)	—	—	(42,378)
Deferred compensation plan liability	(51,868)	—	(51,868)	—
Total	\$753,636	\$232,575	\$(27,821)	\$(42,378)

- (1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.
- (2) The Company's presentation of fair value hierarchy table has been revised to remove certain defined benefit pension plan assets from the fair value hierarchy to reflect the use of the net asset value as a practical expedient to value these assets in order to conform with ASU 2015-07, "Fair Value Measurement (Topic 820)." This change is not material to the consolidated financial statements and does not have an impact on the Company's financial condition, results of operations or cash flows.
- (3) The fair value of the Champion Europe contingent consideration had not changed since the date of acquisition, other than from the foreign exchange translation impact between periods.

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Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, trade accounts receivable, notes receivable and accounts payable approximated fair value as of December 30, 2017 and December 31, 2016. The fair value of debt, which is classified as a Level 2 liability, was \$4,093,229 and \$3,729,270 as of December 30, 2017 and December 31, 2016 and had a carrying value of \$3,993,267 and \$3,732,583, respectively. The fair values were estimated using quoted market prices as provided in secondary markets, which consider the Company's credit risk and market related conditions. The carrying amounts of the Company's notes payable, which is classified as a Level 2 liability, approximated fair value as of December 30, 2017 and December 31, 2016, primarily due to the short-term nature of these instruments.

(17) Defined Benefit Pension Plans

At December 30, 2017, the Company's pension plans consisted of the Hanesbrands Inc. Pension Plan, various nonqualified retirement plans and international plans, which include certain defined benefit plans acquired in connection with the purchases of Hanes Europe Innerwear and Hanes Australasia. Benefits under the Hanesbrands Inc. Pension Plan were frozen effective December 31, 2005.

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

	Years Ended		
	December 30, 2017	December 31, 2016	January 2, 2016
Service cost	\$2,216	\$1,856	\$2,478
Interest cost	40,830	42,061	49,202
Expected return on assets	(41,780)	(47,621)	(55,127)
Curtailments	154	(489)	—
Settlement cost	23	115	25
Amortization of:			
Prior service cost	9	9	22
Net actuarial loss	19,053	17,052	14,551
Net periodic benefit cost	\$20,505	\$12,983	\$11,151
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income			
Net loss	\$15,186	\$41,921	\$3,813
Prior service credit (cost)	(380)	(9)	22
Total loss recognized in other comprehensive income	14,806	41,912	3,835
Total recognized in net periodic benefit cost and other comprehensive income	\$35,311	\$54,895	\$14,986

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from AOCI into net periodic benefit cost in 2018 are \$19,949 and \$(6), respectively.

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

	December 30, 2017	December 31, 2016
Benefit obligation:		
Beginning of year	\$1,197,189	\$1,172,267
Service cost	2,216	1,856
Interest cost	40,830	42,061
Plan amendment	(370)	—
Benefits paid	(57,464)	(56,576)
Curtailments	187	(1,053)
Settlements	(688)	(2,360)
Impact of exchange rate change	9,453	(1,976)
Business combination	—	4,547
Actuarial loss	86,414	36,671
Other	(45)	1,752
End of year	1,277,722	1,197,189
Fair value of plan assets:		
Beginning of year	827,169	809,217
Actual return on plan assets	94,957	24,758
Employer contributions	6,376	47,203
Benefits paid	(57,464)	(56,576)
Settlements	(688)	(2,360)
Business combination	—	4,776
Impact of exchange rate change	2,381	178
Other	(45)	(27)
End of year	872,686	827,169
Funded status	\$(405,036)	\$(370,020)

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

	December 30, 2017	December 31, 2016
Benefit obligation	\$1,277,722	\$1,197,189
Plans with benefit obligation in excess of plan assets:		
Benefit obligation	1,245,844	1,167,871
Fair value of plan assets	842,168	799,191

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

	December 30, 2017	December 31, 2016
Current liabilities	\$(3,663)	\$(3,605)
Noncurrent liabilities	(401,749)	(366,822)
Accumulated other comprehensive loss	(618,416)	(603,610)

Amounts recognized in accumulated other comprehensive loss consist of:

	December 30, 2017	December 31, 2016
Prior service cost	\$(163)	\$216
Actuarial loss	618,579	603,394
	\$618,416	\$603,610

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

(a) Measurement Date and Assumptions

A December 31 measurement date is used to value plan assets and obligations for the pension plans. In determining the discount rate in the prior years, the Company utilized, as a general benchmark, the single discount rate equivalent to discount the expected cash flows from each plan using the yields at each duration from a published yield curve as of the measurement date. Beginning in 2016, the Company changed the method utilized to estimate primarily the interest cost component of net periodic benefit costs for the Company's U.S. defined benefit plans from using a single discount rate as discussed above. The Company elected to use a full yield curve approach in the estimation of the interest component of benefit costs by applying the specific spot rates along the yield curve used in the determination of the benefit obligations to the relevant projected cash flows. The Company made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of interest costs. This change will not affect the measurement of the total benefit obligations as the change in interest costs is completely offset by the actuarial gain or loss reported. The expected long-term rate of return on plan assets was based on the Company's investment policy target allocation of the asset portfolio between various asset classes and the expected real returns of each asset class over various periods of time. The weighted average actuarial assumptions used in measuring the net periodic benefit cost and plan obligations for the periods presented were as follows:

	December 30, 2017	December 31, 2016	January 2, 2016
Net periodic benefit cost:			
Discount rate	4.15%	4.43%	4.43%
Long-term rate of return on plan assets	5.21	5.80	5.61
Rate of compensation increase (1)	3.84	3.51	3.51
Plan obligations:			
Discount rate	3.60%	4.15%	4.04%
Rate of compensation increase (1)	4.40	3.84	3.51

- (1) The compensation increase assumption applies to the international plans and portions of the nonqualified retirement plans, as benefits under these plans were not frozen at December 30, 2017, December 31, 2016 and January 2, 2016.

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

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

Asset category:	December 30, 2017	December 31, 2016
Hedge fund of funds	38%	39%
U.S. equity securities	20	20
Debt securities	18	17
Foreign equity securities	17	15
Real estate	5	5
Commodities	2	2
Insurance contracts	—	1
Cash and other	—	1

The Company's asset strategy and primary investment objective are to maximize the principal value of the plan assets to meet current and future benefit obligations to plan participants and their beneficiaries. To accomplish this goal, the assets of the plan are broadly diversified to protect against large investment losses and to reduce the likelihood of excessive volatility of returns. Diversification of assets is achieved through strategic allocations to various asset classes, as well as various investment styles within these asset classes, and by retaining multiple, third party investment management firms with complementary investment styles and philosophies to implement these allocations. The Company has established a target asset allocation based upon analysis of risk/return tradeoffs and correlations of asset mixes given long-term historical data, prospective capital market returns and forecasted liabilities of the plans. The target asset allocation approximates the actual asset allocation as of December 30, 2017. In addition to volatility protection, diversification enables the assets of the plan the best opportunity to provide adequate returns in order to meet the Company's investment return objectives. These objectives include, over a rolling 5-year period, to achieve a total return that exceeds the required actuarial rate of return for the plan and to outperform a passive portfolio, consisting of a similar asset allocation.

The Company utilizes market data or assumptions that market participants would use in pricing the pension plan assets. At December 30, 2017, the Company had \$268,404 classified as Level 1 assets, \$2,194 classified as Level 2 assets and no assets classified as Level 3. At December 31, 2016, the Company had \$232,575 classified as Level 1 assets, \$3,334 classified as Level 2 assets and no assets classified as Level 3. The Level 1 assets consisted primarily of certain U.S. equity securities, certain foreign equity securities, certain debt securities and cash and cash equivalents. Certain foreign equity securities, debt securities, insurance contracts and commodity investments measured at their net asset value, which is determined based on inputs readily available in public markets, and investments in hedge funds of funds and real estate investments that are based on unobservable inputs about which little or no market data exists and are measured at a net asset value per share shall not be categorized within the fair value hierarchy. Refer to Note, "Fair Value of Assets and Liabilities," for the Company's complete disclosure of the fair value of pension plan assets.

Expected benefit payments are as follows: \$62,043 in 2018, \$64,066 in 2019, \$65,179 in 2020, \$69,600 in 2021, \$70,444 in 2022 and \$367,269 thereafter.

(c) Nonretirement Postemployment Benefit Plans

Certain of the international plans, specifically those acquired in connection with the purchases of Hanes Europe Innerwear, are in substance nonretirement postemployment benefit plans, which are future liabilities funded through future operational results of the Company. However, for purposes of consolidation, the Company is including these plans within the defined benefit reporting. At December 30, 2017 and December 31, 2016, the total amounts accrued for these plans were \$52,943 and \$48,330, respectively and the total expense for the years ended December 30, 2017 and December 31, 2016 was \$2,778 and \$1,824, respectively.

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(18) Income Taxes

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

	Years Ended		
	December 30, 2017	December 31, 2016	January 2, 2016
Income before income tax expense:			
Domestic	(6.6)%	(10.2)%	5.6%
Foreign	106.6	110.2	94.4
	100.0%	100.0%	100.0%
Tax expense at U.S. statutory rate	35.0%	35.0%	35.0%
State income tax	0.2	(0.7)	1.1
Tax on remittance of foreign earnings	0.5	9.9	9.1
Tax on remittance of foreign earnings due to U.S. tax reform	67.0	N/A	N/A
Revaluation of net deferred tax assets due to U.S. tax reform	14.3	N/A	N/A
Foreign taxes less than U.S. statutory rate	(27.4)	(38.5)	(30.8)
Employee benefits	(0.2)	(0.7)	0.4
Change in valuation allowance	0.1	1.2	2.6
Increase in unrecognized tax benefits	1.8	0.6	0.1
Release of unrecognized tax benefit reserves	(0.9)	(0.4)	(9.8)
State tax rate change	0.1	0.6	2.3
Federal and state provision to return	(2.6)	(0.7)	(0.4)
Other, net	0.2	(0.3)	(0.1)
Taxes at effective worldwide tax rates	88.1%	6.0%	9.5%

The recently enacted Tax Cuts and Jobs Act (the “Tax Act”) significantly revised U.S. corporate income tax law by, among other things, reducing the corporate income tax rate to 21% and implementing a modified territorial tax system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries. In response to the Tax Act, the SEC issued SAB 118 which allows issuers to recognize provisional estimates of the impact of the Tax Act in their financial statements and adjust in the period in which the estimate becomes finalized, or in circumstances where estimates cannot be made, to disclose and recognize within a one year measurement period.

Implementation of the Tax Act resulted in an approximate \$72,333 charge for the revaluation of the Company’s net domestic deferred tax assets and a one-time provisional transition tax charge of approximately \$359,938. Other less material provisions of the Tax Act resulted in an additional provisional charge of \$2,971, which include changes regarding the deductibility of employee compensation and other items. In reaching these estimates, the Company utilized all available guidance and notices issued by the U.S. Department of the Treasury. These amounts are to be considered provisional and are not currently able to be finalized given the complexity of the underlying calculations. The Company relied upon prior year legal entity financials and return filings in the estimates of the one-time transition tax. The Company will update and conclude its accounting as additional information is obtained, which in many cases is contingent on the timing of issuance of regulatory guidance.

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As of December 30, 2017, the Company is in the process of evaluating the impact of the Tax Act on its permanent reinvestment assertion. With respect to accumulated earnings of foreign subsidiaries, no additional U.S. federal income taxes or foreign withholding taxes have been provided as all accumulated earnings of foreign subsidiaries are deemed to have been remitted as part of the one-time transition tax. The Company continues to evaluate its permanent reinvestment assertion in light of the Tax Act. The accounting is expected to be completed within the one-year measurement period as allowed by SAB 118.

Finally, the Company continues to analyze the impact of provisions which will be effective in future years. Relevant to the current consolidated financial statements is the Company's selection of an accounting policy with respect to the new GILTI tax rules, and whether to account for GILTI as a periodic charge in the period it arises, or to record deferred taxes associated with the basis in the Company's foreign subsidiaries. Due to the intricacy of this topic, the Company is still in the process of investigating the implications of accounting for the GILTI tax and intends to make an accounting policy decision once additional guidance is available for assessment.

The Company has been granted income tax rates lower than statutory rates in two foreign jurisdictions through 2019. These lower rates, when compared with the countries' statutory rates, resulted in an income tax reduction of approximately \$2,800 (\$0.01 per diluted share) in 2017, \$1,300 (negligible impact per diluted share) in 2016 and \$2,200 (\$0.01 per diluted share) in 2015.

Current and deferred tax provisions (benefits) were:

	Current	Deferred	Total
Year ended December 30, 2017			
Domestic	\$154,751	\$260,393	\$415,144
Foreign	10,603	(15,098)	(4,495)
State	68,857	(6,227)	62,630
	\$234,211	\$239,068	\$473,279
Year ended December 31, 2016			
Domestic	\$2,768	\$34,590	\$37,358
Foreign	38,257	(34,232)	4,025
State	2,083	(9,194)	(7,111)
	\$43,108	\$(8,836)	\$34,272
Year ended January 2, 2016			
Domestic	\$(2,294)	\$9,437	\$7,143
Foreign	32,067	(10,235)	21,832
State	4,395	11,648	16,043
	\$34,168	\$10,850	\$45,018

	Years Ended		
	December 30, 2017	December 31, 2016	January 2, 2016
Cash payments for income taxes	\$57,882	\$39,655	\$23,045

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

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

	December 30, 2017	December 31, 2016
Deferred tax assets:		
Nondeductible reserves	\$1,859	\$1,962
Inventories	57,857	123,507
Property and equipment	—	3,322
Bad debt allowance	7,363	6,965
Accrued expenses	14,399	20,351
Employee benefits	143,970	181,148
Tax credits	10,140	45,783
Net operating loss and other tax carryforwards	142,064	210,284
Derivatives	3,305	—
Other	17,305	20,355
Gross deferred tax assets	398,262	613,677
Less valuation allowances	(72,602)	(67,451)
Deferred tax assets	325,660	546,226
Deferred tax liabilities:		
Property and equipment	4,455	—
Derivatives	—	5,103
Intangibles	120,033	121,674
Prepays	3,932	5,728
Deferred tax liabilities	128,420	132,505
Net deferred tax assets	\$197,240	\$413,721

The prior year deferred balances for intangibles and net operating loss and other tax carryforwards have been revised to reflect cumulative tax amortization that should have been recorded in previous periods on certain intangibles for approximately \$109,447. The impact of not amortizing the intangibles for income tax purposes was not material to previously issued consolidated financial statements.

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

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The changes in the Company's valuation allowance for deferred tax assets are as follows:

January 3, 2015	\$43,757
Charge to expenses	12,224
Charged to other accounts (1)	5,377
January 2, 2016	\$61,358
Charge to expenses	6,859
Charged to other accounts (1)	(766)
December 31, 2016	\$67,451
Charge to expenses	729
Charged to other accounts (1)	4,422
December 30, 2017	\$72,602

(1) Charges to other accounts include the effects of foreign currency translation and purchase accounting adjustments.

As of December 30, 2017, the valuation allowance for deferred tax assets was \$72,602, made up of \$48,862 for foreign loss carryforwards, \$14,679 for other foreign deferred tax assets, \$9,061 for federal and state operating loss carryforwards and other federal deferred tax assets. The net change in the total valuation allowance for 2017 was \$5,151 related to an increase of \$11,725 for foreign loss carryforwards and other foreign deferred tax assets and a decrease of \$6,574 for federal and state operating loss carryforwards and other domestic deferred tax assets.

At December 30, 2017, the Company has total net operating loss carryforwards of approximately \$324,833 for foreign jurisdictions, which will expire as follows:

Fiscal Year:	
2018	\$8,671
2019	23,809
2020	4,435
2021	6,326
2022	2,676
Thereafter	278,916

At December 30, 2017, the Company had tax credit carryforwards totaling \$10,140, which expire beginning after 2020.

At December 30, 2017, the Company had federal and state net operating loss carryforwards of approximately \$12,810 and \$916,529, respectively, which expire beginning after 2018.

In 2017 and 2016, the Company recognized a benefit related to the realization of unrecognized tax benefits resulting from the expiration of statutes of limitations of \$4,227 and \$4,146, respectively. Although it is not reasonably possible to estimate the amount by which unrecognized tax benefits may increase or decrease within the next 12 months due to uncertainties regarding the timing of examinations and the amount of settlements that may be paid, if any, to tax authorities, the Company currently expects a reduction of approximately \$4,963 for unrecognized tax benefits accrued at December 30, 2017 within the next 12 months.

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

Balance at January 2, 2016 (gross balance of \$20,085)	\$19,780
Additions based on tax positions related to the current year	4,648
Additions for tax positions of prior years	106
Reductions for tax positions of prior years	(4,838)
Balance at December 31, 2016 (gross balance of \$20,688)	\$19,696
Additions based on tax positions related to the current year	7,902
Additions for tax positions of prior years	36
Reductions for tax positions of prior years	(3,602)
Balance at December 30, 2017 (gross balance of \$26,175)	\$24,032

At December 30, 2017, the balance of the Company's unrecognized tax benefits, which would, if recognized, affect the Company's annual effective tax rate was \$24,032. The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company recognized \$760 in 2017 for interest and penalties classified as income tax expense and \$549 and \$3,669, respectively in 2016 and 2015, for interest and penalties classified as income tax benefit in the Consolidated Statement of Income. At December 30, 2017 and December 31, 2016, the Company had a total of \$4,011 and \$3,251, respectively, of interest and penalties accrued related to unrecognized tax benefits.

The Company files a consolidated U.S. federal income tax return, as well as separate and combined income tax returns in numerous state and foreign jurisdictions. In the United States, the Internal Revenue Service ("IRS") began an examination of the Company's 2011 tax year during the fourth quarter of 2013 and of the Company's 2012 tax year during the third quarter of 2014, both of which were completed during the third quarter of 2015. As a result in 2015, the Company recorded an income tax benefit of \$56,427 due to the remeasurement of certain unrecognized tax benefits. During the fourth quarter of 2017, the Company was notified by the IRS that they would begin examining the 2015 tax year. The Company is also subject to examination by various state and international tax authorities. The tax years subject to examination vary by jurisdiction. The Company regularly assesses the outcomes of both ongoing and future examinations for the current or prior years to ensure the Company's provision for income taxes is sufficient. The Company recognizes liabilities based on estimates of whether additional taxes will be due and believes its reserves are adequate in relation to any potential assessments. The outcome of any one examination, some of which may conclude during the next 12 months, is not expected to have a material impact on the Company's financial position or results of operations.

(19) Stockholders' Equity

The Company is authorized to issue up to 2,000,000 shares of common stock, par value \$0.01 per share, and up to 50,000 shares of preferred stock, par value \$0.01 per share, and the Company's Board of Directors may, without stockholder approval, increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Company is authorized to issue. At December 30, 2017 and December 31, 2016, 360,126 and 378,687 shares, respectively, of common stock were issued and outstanding and no shares of preferred stock were issued or outstanding.

On April 27, 2016, the Company's Board of Directors approved a new share repurchase program for up to 40,000 shares to be repurchased in open market transactions, subject to market conditions, legal requirements and other factors. The new program replaced the Company's previous share repurchase program for up to 40,000 shares that was originally approved in 2007. Additionally, management has been granted authority to establish a trading plan under Rule 10b5-1 of the Exchange Act in connection with share repurchases, which will allow the Company to repurchase shares in the open market during periods in which the stock trading window is otherwise closed for the Company and certain of the Company's officers and employees pursuant to the Company's insider trading policy. During 2017, under the current repurchase program, the Company purchased 19,640 shares of the

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Company's common stock at a cost of \$400,017 (average price of \$20.35). During 2016, under the previous repurchase program, the Company purchased 14,243 shares of the Company's common stock at a cost of \$379,901 (average price of \$26.65). Since inception of the share repurchase plan approved in 2016 the Company has purchased 19,640 shares of the Company's common stock at a cost of \$400,017 (average price of \$20.35). At December 30, 2017, the remaining repurchase authorization under the current share repurchase program totaled approximately 20,360 shares. The primary objective of the share repurchase program is to utilize excess cash to generate shareholder value.

Preferred Stock Purchase Rights

On October 27, 2015, the Company entered into a Second Amendment to Rights Agreement (the "Second Amendment") to the original Rights Agreement dated as of September 1, 2006 and previously amended on March 26, 2015 (the "Rights Agreement") between the Company and Computershare Trust Company, N.A., as Rights Agent, one preferred stock purchase right (a "Right") was distributed with and attached to each share of the Company's common stock. Each Right entitled its holder, under certain circumstances, to purchase from the Company one one-thousandth of a share of the Company's Junior Participating Preferred Stock, Series A (the "Series A Preferred Stock"). The Second Amendment accelerated the expiration of the Rights from September 1, 2016 to November 10, 2015 and had the effect of terminating the Rights Agreement on November 10, 2015. At the time of the termination of the Rights Agreement, all of the Rights distributed to holders of the Company's common stock pursuant to the Rights Agreement expired. In connection with the termination of the Rights Agreement, on November 10, 2015, the Company eliminated the Series A Preferred Stock issuable upon exercise of the Rights and reclassified the Series A Preferred Stock as authorized but undesignated shares of the Company's preferred stock.

Dividends

In 2015, the Company's Board of Directors declared regular quarterly dividends of \$0.10 per share on outstanding common stock, which were paid in 2015. On March 3, 2015, the Company effected a four-for-one stock split in the form of a 300% stock dividend to stockholders of record as of the close of business on February 9, 2015.

In 2016, the Company's Board of Directors declared regular quarterly dividends of \$0.11 per share on outstanding common stock, which were paid in 2016.

In January 2017, the Company's Board of Directors increased the regular quarterly dividend rate to \$0.15 per share on outstanding common stock. During the Company's 2017 fiscal year, regular quarterly cash dividends of \$0.15 per share were paid on March 7, 2017, June 6, 2017, September 6, 2017 and December 5, 2017.

In February 2018, the Company's Board of Directors declared a regular quarterly cash dividend of \$0.15 per share on outstanding common stock to be paid on March 13, 2018 to stockholders of record at the close of business on February 20, 2018.

(20) Business Segment Information

In the first quarter of 2017, the Company realigned its reporting segments to reflect the new model under which the business will be managed and results will be reviewed by the chief executive officer, who is the Company's chief operating decision maker. The former Direct to Consumer segment, which consisted of the Company's U.S. value-based ("outlet") stores, legacy catalog business and U.S. retail Internet operations, was eliminated. The Company's U.S. retail Internet operations, which sells products directly to consumers, is now reported in the respective Innerwear and Activewear segments. Other consists of the Company's U.S. value-based ("outlet") stores, U.S. hosiery business (previously reported in the Innerwear segment) and legacy catalog operations. Prior year segment sales and operating profit results have been revised to conform to the current year presentation.

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

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

- Innerwear sells basic branded products that are replenishment in nature under the product categories of men's underwear, panties, children's underwear, socks and intimate apparel, which includes bras and shapewear.
- Activewear sells basic branded products that are primarily seasonal in nature under the product categories of branded printwear and retail activewear, as well as licensed logo apparel in collegiate bookstores, mass retail and other channels.
- International primarily relates to the Europe, Australia, Asia, Latin America and Canada geographic locations that sell products that span across the Innerwear and Activewear reportable segments.

The Company evaluates the operating performance of its segments based upon segment operating profit, which is defined as operating profit before general corporate expenses, acquisition-related and integration charges and amortization of intangibles. The accounting policies of the segments are consistent with those described in Note, "Summary of Significant Accounting Policies."

	Years Ended		
	December 30, 2017	December 31, 2016	January 2, 2016
Net sales:			
Innerwear	\$2,462,876	\$2,543,717	\$2,609,402
Activewear	1,654,278	1,601,108	1,605,423
International	2,054,664	1,531,913	1,132,637
Other	299,592	351,461	384,087
Total net sales	\$6,471,410	\$6,028,199	\$5,731,549

	Years Ended		
	December 30, 2017	December 31, 2016	January 2, 2016
Segment operating profit:			
Innerwear	\$528,038	\$563,905	\$596,634
Activewear	227,589	224,658	245,563
International	261,411	179,917	105,515
Other	23,364	32,801	43,582
Total segment operating profit	1,040,402	1,001,281	991,294
Items not included in segment operating profit:			
General corporate expenses	(89,690)	(64,995)	(106,379)
Acquisition, integration and other action-related charges	(192,752)	(138,519)	(266,060)
Amortization of intangibles	(34,892)	(22,118)	(23,737)
Total operating profit	723,068	775,649	595,118
Other expenses	(11,363)	(51,758)	(3,210)
Interest expense, net	(174,435)	(152,692)	(118,035)
Income from continuing operations before income tax expense	\$537,270	\$571,199	\$473,873

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For the year ended December 30, 2017, the Company incurred pre-tax acquisition, integration and other action-related charges of \$197,904, of which \$54,970 is reported in the “Cost of sales” line, \$109,930 is reported in the “Selling, general and administrative expenses” line, \$27,852 is reported in the “Change in fair value of contingent consideration” line, and \$5,152 is reported in the “Other Expenses” line in the Consolidated Statement of Income. For the year ended December 31, 2016, the Company incurred pre-tax acquisition-related and integration charges of \$185,810, of which \$39,379 is reported in the “Cost of sales” line, \$99,140 is reported in the “Selling, general and administrative expenses” line and \$47,291 is reported in the “Other Expenses” line in the Consolidated Statement of Income. For the year ended January 2, 2016, the Company incurred pre-tax acquisition, integration and other action-related charges of \$266,060, of which \$62,859 is reported in the “Cost of sales” line and \$203,201 is reported in the “Selling, general and administrative expenses” line in the Consolidated Statement of Income.

As part of the Hanes Europe Innerwear acquisition strategy, in 2015 the Company identified management and administrative positions that were considered non-essential and/or duplicative that have been or will be eliminated. As of December 31, 2016, the Company had accrued \$32,542 for expected benefit payments related to employee termination and other benefits for affected employees. As of December 30, 2017, approximately \$10,240 of benefit payments and foreign currency adjustments had been made, resulting in an ending accrual of \$22,302, of which, \$11,531 and \$10,771, is included in the “Accrued liabilities — Other” and “Other noncurrent liabilities” lines of the Consolidated Balance Sheet, respectively.

In the first quarter of 2017, the Company approved an action to resize its U.S. corporate office workforce through separation programs affecting employees primarily in the Innerwear and Activewear segments. In 2017, the Company accrued approximately \$14,671 for employee termination and other benefits in accordance with expected benefit payments, with the majority of charges reflected in the “Selling, general and administrative expenses” line of the Consolidated Statements of Income. During 2017, there were approximately \$12,049 of benefit payments resulting in an ending accrual of \$2,622 included in the “Accrued liabilities — Other” line of the Consolidated Balance Sheet.

The Company closed its Nanjing, China textile plant in the first quarter of 2017 as part of a plan to realign its Asia textile production in order to better support its global commercial footprint, which has evolved over the past 10 years through major acquisitions in the United States, Europe and Australia. In 2017, the Company accrued approximately \$8,534 for employee termination and other benefits in accordance with expected benefit payments for employees. The charges, along with other facility exit costs of \$4,002, were reflected in the “Cost of sales” line of the Consolidated Statements of Income. During 2017, there were approximately \$8,167 of benefit payments and foreign currency adjustments, resulting in an accrual of \$367, which is included in the “Accrued liabilities — Other” line of the Consolidated Balance Sheet. As of December 30, 2017, the Nanjing, China textile plant, valued at \$65,570, was classified as assets held for sale and reported within the “Other current assets” line of the Consolidated Balance Sheet.

	December 30, 2017	December 31, 2016
Assets:		
Innerwear	\$1,578,023	\$1,604,088
Activewear	872,132	874,006
International	1,275,838	1,113,972
Other	151,980	160,475
	3,877,973	3,752,541
Current assets of discontinued operations	—	45,897
Corporate (1)	3,016,802	3,132,042
Total assets	\$6,894,775	\$6,930,480

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	Years Ended		
	December 30, 2017	December 31, 2016	January 2, 2016
Depreciation and amortization expense:			
Innerwear	\$32,000	\$36,591	\$38,136
Activewear	19,485	19,196	21,626
International	30,219	18,694	13,201
Other	5,891	6,576	7,203
	87,595	81,057	80,166
Corporate	34,892	22,118	23,737
Total depreciation and amortization expense	\$122,487	\$103,175	\$103,903

	Years Ended		
	December 30, 2017	December 31, 2016	January 2, 2016
Additions to property, plant and equipment:			
Innerwear	\$21,427	\$28,078	\$43,170
Activewear	11,263	11,518	22,331
International	31,127	23,520	18,022
Other	3,455	4,353	9,815
	67,272	67,469	93,338
Corporate	19,736	15,930	6,037
Total additions to long-lived assets	\$87,008	\$83,399	\$99,375

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

Sales to Wal-Mart and Target were substantially in the Innerwear and Activewear segments and represented 18% and 13% of total sales in 2017, respectively. Sales to Wal-Mart and Target represented 20% and 15% of total net sales in 2016, respectively. Sales to Wal-Mart and Target represented 23% and 15% of total net sales in 2015, respectively.

Worldwide sales by product category for Innerwear and Activewear were \$4,257,877 and \$2,213,533, respectively, in 2017. Worldwide sales by product category for Innerwear and Activewear were \$4,112,598 and \$1,915,601, respectively, in 2016. Worldwide sales by product category for Innerwear and Activewear were \$3,973,645 and \$1,757,904, respectively, in 2015.

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(21) Geographic Area Information

	Years Ended or at					
	December 30, 2017		December 31, 2016		January 2, 2016	
	Sales	Property, Net	Sales	Property, Net	Sales	Property, Net
United States	\$4,417,885	\$130,029	\$4,489,593	\$134,119	\$4,594,665	\$130,235
Australia	592,285	50,671	278,298	41,970	23,073	579
France	283,959	20,937	290,698	18,776	301,010	20,777
Italy	275,047	16,941	174,095	15,405	93,667	16,785
Japan	203,521	1,547	182,307	942	119,693	867
Germany	120,236	14,102	110,748	13,649	104,311	15,573
Europe (Other)	112,408	44,608	96,381	39,189	103,911	17,242
Canada	79,420	1,289	90,585	1,093	105,869	1,196
Spain	67,475	8,453	65,207	6,818	58,824	7,464
Mexico	64,175	1,591	60,362	1,453	66,197	1,809
United Kingdom	55,290	784	32,409	825	29,484	942
Brazil	34,617	4,444	28,829	5,051	31,934	4,322
China	8,324	2,350	5,338	97,194	5,016	106,575
Central America and the Caribbean Basin	1,844	276,547	2,846	269,996	4,180	276,402
Other	154,924	49,698	120,503	45,984	89,715	49,694
	\$6,471,410	\$623,991	\$6,028,199	\$692,464	\$5,731,549	\$650,462

The net sales by geographic region are attributed by customer location. The property by geographic region includes assets held and used, which are recognized within the “Property, net” line of the Consolidated Balance Sheet.

HANESBRANDS INC.
Notes to Consolidated Financial Statements — (Continued)
Years ended December 30, 2017, December 31, 2016 and January 2, 2016
(amounts in thousands, except per share data)

(22) Quarterly Financial Data (Unaudited)

	First	Second	Third	Fourth	Total
2017					
Net sales	\$1,380,355	\$1,646,610	\$1,799,270	\$1,645,175	\$6,471,410
Gross profit	539,531	645,902	678,457	626,661	2,490,551
Income (loss) from continuing operations	73,082	172,164	203,356	(384,611)	63,991
Income (loss) from discontinued operations	(2,465)	368	—	—	(2,097)
Net income (loss)	70,617	172,532	203,356	(384,611)	61,894
Earnings (loss) per share - basic:					
Continuing operations	0.20	0.47	0.56	(1.06)	0.17
Discontinuing operations	(0.01)	—	—	—	(0.01)
Earnings (loss) per share - diluted:					
Continuing operations	0.19	0.47	0.55	(1.06)	0.17
Discontinuing operations	(0.01)	—	—	—	(0.01)
2016					
Net sales	\$1,219,140	\$1,472,731	\$1,761,019	\$1,575,309	\$6,028,199
Gross profit	457,256	557,291	649,366	612,135	2,276,048
Income from continuing operations	80,269	128,143	172,790	155,725	536,927
Income from discontinued operations	—	—	1,068	1,387	2,455
Net income	80,269	128,143	173,858	157,112	539,382
Earnings per share - basic:					
Continuing operations	0.21	0.34	0.46	0.41	1.41
Discontinuing operations	—	—	—	—	0.01
Earnings per share - diluted:					
Continuing operations	0.21	0.34	0.45	0.41	1.40
Discontinuing operations	—	—	—	—	0.01

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