

Hanesbrands Inc.
Form 10-Q
April 25, 2012
[Table of Contents](#)

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

FORM 10-Q

**X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
 ACT OF 1934**

For the quarterly period ended March 31, 2012

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)

Edgar Filing: Hanesbrands Inc. - Form 10-Q

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)

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

Large accelerated filer ☒

Accelerated filer ☐

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

Smaller reporting company ☐

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 April 20, 2012, there were 97,558,571 shares of the registrant's common stock outstanding.

Table of Contents**TABLE OF CONTENTS**

	Page
<u>Forward-Looking Statements</u>	1
<u>Where You Can Find More Information</u>	1
PART I	
Item 1. Financial Statements (unaudited):	
<u>Condensed Consolidated Statements of Income (Loss) for the quarters ended March 31, 2012 and April 2, 2011</u>	2
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the quarters ended March 31, 2012 and April 2, 2011</u>	3
<u>Condensed Consolidated Balance Sheets at March 31, 2012 and December 31, 2011</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the quarters ended March 31, 2012 and April 2, 2011</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	29
Item 4. <u>Controls and Procedures</u>	29
PART II	
Item 1. <u>Legal Proceedings</u>	30
Item 1A. <u>Risk Factors</u>	30
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
Item 3. <u>Defaults Upon Senior Securities</u>	30
Item 4. <u>Mine Safety Disclosures</u>	30
Item 5. <u>Other Information</u>	30
Item 6. <u>Exhibits</u>	30
<u>Signatures</u>	31
<u>Index to Exhibits</u>	E-1
Trademarks, Trade Names and Service Marks	

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

Table of Contents

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can generally be identified by the use of words such as may, believe, will, expect, project, estimate, intend, anticipate, continue or similar expressions. In particular, statements under the headings Outlook for 2012 and Other Business and Industry Trends and other information appearing under Management's Discussion and Analysis of Financial Condition and Results of Operations include forward-looking statements. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements.

Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is based on the current plans and expectations of our management and expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that the expectation or belief will result or will be achieved or accomplished. More information on factors that could cause actual results or events to differ materially from those anticipated is included from time to time in our reports filed with the Securities and Exchange Commission (the SEC), including our Annual Report on Form 10-K for the year ended December 31, 2011, particularly under the caption Risk Factors.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q or our Annual Report on Form 10-K for the year ended December 31, 2011, particularly under the caption Risk Factors. We undertake no obligation to update or revise forward-looking statements that may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events, other than as required by law.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You can inspect, read and copy these reports, proxy statements and other information at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information regarding the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that makes available reports, proxy statements and other information regarding issuers that file electronically.

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

Table of Contents

PART I

Item 1. Financial Statements

HANESBRANDS INC.

Condensed Consolidated Statements of Income (Loss)

(in thousands, except per share amounts)

(unaudited)

	Quarter Ended	
	March 31, 2012	April 2, 2011
Net sales	\$ 1,008,334	\$ 1,036,410
Cost of sales	753,971	681,885
Gross profit	254,363	354,525
Selling, general and administrative expenses	248,285	252,682
Operating profit	6,078	101,843
Other expenses	645	601
Interest expense, net	36,998	41,105
Income (loss) before income tax expense (benefit)	(31,565)	60,137
Income tax expense (benefit)	(4,735)	12,028
Net income (loss)	\$ (26,830)	\$ 48,109
Earnings (loss) per share:		
Basic	\$ (0.27)	\$ 0.49
Diluted	\$ (0.27)	\$ 0.49
Weighted average shares outstanding:		
Basic	98,533	97,194
Diluted	98,533	98,589

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

HANESBRANDS INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

(unaudited)

	Quarter Ended	
	March 31, 2012	April 2, 2011
Net income (loss)	\$ (26,830)	\$ 48,109
Other comprehensive income, net of tax of \$1,722 and \$1,666, respectively	4,924	6,372
Comprehensive income (loss)	\$ (21,906)	\$ 54,481

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents**HANESBRANDS INC.****Condensed Consolidated Balance Sheets****(in thousands, except share and per share amounts)****(unaudited)**

	March 31, 2012	December 31, 2011
Assets		
Cash and cash equivalents	\$ 34,600	\$ 35,345
Trade accounts receivable less allowances of \$17,485 and \$17,418, respectively	524,745	470,713
Inventories	1,619,242	1,607,555
Deferred tax assets	153,893	154,667
Other current assets	55,074	62,511
Total current assets	2,387,554	2,330,791
Property, net	623,872	635,406
Trademarks and other identifiable intangibles, net	167,133	169,675
Goodwill	433,473	433,396
Deferred tax assets	396,065	394,220
Other noncurrent assets	68,115	71,181
Total assets	\$ 4,076,212	\$ 4,034,669
Liabilities and Stockholders' Equity		
Accounts payable	\$ 401,476	\$ 451,525
Accrued liabilities	269,039	252,186
Notes payable	41,648	63,075
Accounts Receivable Securitization Facility	163,370	166,933
Total current liabilities	875,533	933,719
Long-term debt	1,935,777	1,807,777
Pension and postretirement benefits	488,886	485,688
Other noncurrent liabilities	118,271	126,424
Total liabilities	3,418,467	3,353,608
Stockholders' equity:		
Preferred stock (50,000,000 authorized shares; \$.01 par value)		
Issued and outstanding None		
Common stock (500,000,000 authorized shares; \$.01 par value)		
Issued and outstanding 97,558,571 and 97,517,325, respectively	976	975
Additional paid-in capital	267,540	266,551
Retained earnings	719,956	746,786
Accumulated other comprehensive loss	(330,727)	(333,251)
Total stockholders' equity	657,745	681,061
Total liabilities and stockholders' equity	\$ 4,076,212	\$ 4,034,669

Edgar Filing: Hanesbrands Inc. - Form 10-Q

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents**HANESBRANDS INC.****Condensed Consolidated Statements of Cash Flows****(in thousands)****(unaudited)**

	Quarter Ended	
	March 31, 2012	April 2, 2011
Operating activities:		
Net income (loss)	\$ (26,830)	\$ 48,109
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	19,474	18,068
Amortization of intangibles	3,856	3,619
Amortization of debt issuance costs	2,476	2,649
Amortization of loss on interest rate hedge	1,114	3,302
Stock compensation expense	1,772	2,548
Deferred taxes and other	(1,448)	2,314
Changes in assets and liabilities:		
Accounts receivable	(51,829)	(42,160)
Inventories	(8,647)	(215,004)
Other assets	5,012	(2,413)
Accounts payable	(49,645)	58,602
Accrued liabilities and other	10,580	19,331
Net cash used in operating activities	(94,115)	(101,035)
Investing activities:		
Purchases of property, plant and equipment	(9,174)	(25,411)
Proceeds from sales of assets	158	12,081
Net cash used in investing activities	(9,016)	(13,330)
Financing activities:		
Borrowings on notes payable	20,671	222,149
Repayments on notes payable	(42,217)	(243,518)
Borrowings on Accounts Receivable Securitization Facility	56,802	94,677
Repayments on Accounts Receivable Securitization Facility	(60,365)	(42,341)
Borrowings on Revolving Loan Facility	804,000	1,023,000
Repayments on Revolving Loan Facility	(676,000)	(918,000)
Payments to amend credit facilities	(225)	(3,569)
Proceeds from stock options exercised	323	2,425
Other	(845)	162
Net cash provided by financing activities	102,144	134,985
Effect of changes in foreign exchange rates on cash	242	513
Increase (decrease) in cash and cash equivalents	(745)	21,133
Cash and cash equivalents at beginning of year	35,345	43,671

Edgar Filing: Hanesbrands Inc. - Form 10-Q

Cash and cash equivalents at end of period	\$ 34,600	\$ 64,804
--	-----------	-----------

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements

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

(unaudited)

(1) Basis of Presentation

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

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

(2) Recent Accounting Pronouncements

Fair Value Measurements

In May 2011, the Financial Accounting Standards Board (the "FASB") issued new accounting rules related to fair value measurements. The new accounting rules clarify some existing concepts, eliminate wording differences between GAAP and International Financial Reporting Standards ("IFRS"), and in some limited cases, change some principles to achieve convergence between GAAP and IFRS. The new accounting rules result in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between GAAP and IFRS. The new accounting rules also expand the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. The adoption of the new accounting rules in the first quarter of 2012 did not have a material effect on our financial condition, results of operations or cash flows.

Presentation of Comprehensive Income

In June 2011, the FASB issued new accounting rules that require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income, or in two separate but consecutive statements. The new accounting rules eliminate the option to present components of other comprehensive income as part of the statement of equity. The adoption of the new accounting rules in the first quarter of 2012 did not have a material effect on our financial condition, results of operations or cash flows.

In December 2011, the FASB issued new accounting rules which deferred certain provisions of the rules issued in June 2011 that required entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. Accordingly, this requirement is indefinitely deferred.

Table of Contents**HANESBRANDS INC.****Notes to Condensed Consolidated Financial Statements (Continued)****(dollars and shares in thousands, except per share data)****(unaudited)*****Goodwill Impairment Testing***

In September 2011, the FASB issued new accounting rules related to testing goodwill for impairment. The new accounting rules permit an entity to first assess qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the two-step goodwill impairment test prescribed under current accounting rules. Otherwise, the two-step goodwill impairment test is not required. The adoption of the new accounting rules did not have a material effect on our financial condition, results of operations or cash flows.

Disclosures About Offsetting Assets and Liabilities

In December 2011, the FASB issued new accounting rules related to new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The new rules are effective for the Company in the first quarter of 2015 with retrospective application required. The Company does not expect the adoption of the new accounting rules to have a material effect on our financial condition, results of operations or cash flows.

(3) Earnings Per Share

Basic earnings per share (EPS) was computed by dividing net income (loss) by the number of weighted average shares of common stock outstanding during the quarters ended March 31, 2012 and April 2, 2011. Diluted EPS was calculated to give effect to all potentially dilutive shares of common stock using the treasury stock method. The reconciliation of basic to diluted weighted average shares outstanding for the quarters ended March 31, 2012 and April 2, 2011 is as follows:

	Quarter Ended	
	March 31, 2012	April 2, 2011
Basic weighted average shares outstanding	98,533	97,194
Effect of potentially dilutive securities:		
Stock options		1,051
Restricted stock units		344
Diluted weighted average shares outstanding	98,533	98,589

For the quarters ended March 31, 2012 and April 2, 2011, options to purchase 5,297 and 225 shares of common stock and 691 and 0 restricted stock units were excluded from the diluted earnings per share calculation because their effect would be anti-dilutive. Because the Company reported a net loss for the quarter ended March 31, 2012, the restricted stock units and stock options excluded from the computation of diluted loss per share consisted of all outstanding restricted stock units and stock options, as their effect would have been anti-dilutive.

Table of Contents**HANESBRANDS INC.****Notes to Condensed Consolidated Financial Statements (Continued)**

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

(unaudited)

(4) Inventories

Inventories consisted of the following:

	March 31, 2012	December 31, 2011
Raw materials	\$ 231,803	\$ 231,781
Work in process	128,579	129,827
Finished goods	1,258,860	1,245,947
	\$ 1,619,242	\$ 1,607,555

(5) Debt

The Company had the following debt at March 31, 2012 and December 31, 2011:

	Interest Rate as of March 31, 2012	Principal Amount		
		March 31, 2012	December 31, 2011	Maturity Date
Revolving Loan Facility	3.62%	\$ 142,500	\$ 14,500	December 2015
6.375% Senior Notes	6.38%	1,000,000	1,000,000	December 2020
8% Senior Notes	8.00%	500,000	500,000	December 2016
Floating Rate Senior Notes	4.15%	293,277	293,277	December 2014
Accounts Receivable Securitization Facility	1.29%	163,370	166,933	March 2013
		2,099,147	1,974,710	
Less current maturities		163,370	166,933	
		\$ 1,935,777	\$ 1,807,777	

As of March 31, 2012, the Company had \$142,500 outstanding under the \$600,000 revolving credit facility (the Revolving Loan Facility) under the senior secured credit facility that it entered into in 2006 and amended and restated in December 2009 (as amended and restated, the 2009 Senior Secured Credit Facility), \$11,465 of standby and trade letters of credit issued and outstanding under this facility and \$446,035 of borrowing availability.

In March 2012, the Company amended the accounts receivable securitization facility that it entered into in November 2007 (the Accounts Receivable Securitization Facility). This amendment decreased certain usage fee rates and extended the termination date to March 15, 2013. The Company incurred \$225 in debt amendment fees in connection with the amendment, which will be amortized over the term of the facility.

As of March 31, 2012, the Company was in compliance with all financial covenants under its credit facilities.

(6) Financial Instruments and Risk Management

The Company uses financial instruments to manage its exposures to movements in interest rates, foreign exchange rates and commodity prices. 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. The Company does not use derivatives for trading purposes and is not a party to leveraged derivative contracts.

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements (Continued)

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

(unaudited)

The Company recognizes all derivative instruments as either assets or liabilities at fair value in the Condensed Consolidated Balance Sheets. The fair value is based upon either market quotes for actively traded instruments or independent bids for nonexchange traded instruments. 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 to the hedged risk. On the date the derivative is entered into, the Company designates the derivative as a fair value hedge, cash flow hedge, net investment hedge or a mark to market hedge, and accounts for the derivative in accordance with its designation. The Company also formally assesses, both at inception and at least quarterly thereafter, whether the derivatives are highly effective in offsetting changes in either the fair value or 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 respective measurement period. The Company currently does not have any fair value or net investment hedge instruments.

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.

Mark to Market Hedges

A derivative used as a hedging instrument whose change in fair value is recognized to act as an economic hedge against changes in the values of the hedged item is designated a mark to market hedge.

Mark to Market Hedges – Intercompany Foreign Exchange Transactions

The Company uses foreign exchange derivative contracts to reduce the impact of foreign exchange fluctuations on anticipated intercompany purchase and lending transactions denominated in foreign currencies. Foreign exchange derivative contracts are recorded as mark to market hedges when the hedged item is a recorded asset or liability that is revalued in each accounting period. Mark to market hedge derivatives relating to intercompany foreign exchange contracts are reported in the Condensed Consolidated Statements of Cash Flows as cash flow from operating activities. As of March 31, 2012, the U.S. dollar equivalent of commitments to purchase and sell foreign currencies in the Company's foreign currency mark to market hedge derivative portfolio was \$6,700 and \$45,649, respectively, using the exchange rate at the reporting date.

Cash Flow Hedges

A hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability is designated as a cash flow hedge. 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 Condensed Consolidated Balance Sheets. When the impact of the hedged item is recognized in the income statement, the gain or loss included in Accumulated other comprehensive loss is reported on the same line in the Condensed Consolidated Statements of Income (Loss) as the hedged item.

Cash Flow Hedges – Interest Rate Derivatives

From time to time, the Company uses interest rate cash flow hedges in the form of swaps and caps in order to mitigate the Company's exposure to variability in cash flows for the future interest payments on a designated

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements (Continued)

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

(unaudited)

portion of floating rate debt. The effective portion of interest rate hedge gains and losses deferred in Accumulated other comprehensive loss is reclassified into earnings as the underlying debt interest payments are recognized. Interest rate cash flow hedge derivatives are reported as a component of interest expense and therefore are reported as cash flow from operating activities similar to the manner in which cash interest payments are reported in the Condensed Consolidated Statements of Cash Flows.

Cash Flow Hedges Foreign Currency Derivatives

The Company uses forward exchange and option 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 effective portion of foreign exchange hedge gains and losses deferred in Accumulated other comprehensive loss is reclassified into earnings as the underlying inventory is sold, using historical inventory turnover rates. The settlement of foreign exchange hedge derivative contracts related to the purchase of inventory or other hedged items are reported in the Condensed Consolidated Statements of Cash Flows as cash flow from operating activities.

Historically, the principal currencies hedged by the Company include the Euro, Mexican peso, Canadian dollar and Japanese yen. Forward exchange contracts mature on the anticipated cash requirement date of the hedged transaction, generally within one year. As of March 31, 2012, the U.S. dollar equivalent of commitments to sell foreign currencies in the Company's foreign currency cash flow hedge derivative portfolio was \$45,378, using the exchange rate at the reporting date.

Cash Flow Hedges Commodity Derivatives

Cotton is the primary raw material used to manufacture many of the Company's products and is purchased at market prices. The Company is able to lock in the cost of cotton reflected in the price it pays for yarn from its primary yarn suppliers in an attempt to protect its business from the volatility of the market price of cotton. In addition, from time to time, the Company uses commodity financial instruments to hedge the price of cotton, for which there is a high correlation between the hedged item and the hedge instrument. Gains and losses on these contracts are intended to offset losses and gains on the hedged transactions in an effort to reduce the earnings volatility resulting from fluctuating commodity prices. The effective portion of commodity hedge gains and losses deferred in Accumulated other comprehensive loss is reclassified into earnings as the underlying inventory is sold, using historical inventory turnover rates. The settlement of commodity derivative contracts related to the purchase of inventory is reported in the Condensed Consolidated Statements of Cash Flows as cash flow from operating activities. There were no amounts outstanding under cotton futures or cotton option contracts at March 31, 2012 and December 31, 2011.

Table of Contents**HANESBRANDS INC.****Notes to Condensed Consolidated Financial Statements (Continued)****(dollars and shares in thousands, except per share data)****(unaudited)*****Fair Values of Derivative Instruments***

The fair values of derivative financial instruments recognized in the Condensed Consolidated Balance Sheets of the Company were as follows:

	Balance Sheet Location	Fair Value March 31, 2012	Fair Value December 31, 2011
Derivative assets – hedges			
Foreign exchange contracts	Other current assets	\$ 1,525	\$ 3,205
Total derivative assets – hedges		1,525	3,205
Derivative assets – non-hedges			
Foreign exchange contracts	Other current assets	653	455
Total derivative assets		\$ 2,178	\$ 3,660
Derivative liabilities – hedges			
Foreign exchange contracts	Accrued liabilities	(504)	(205)
Total derivative liabilities – hedges		(504)	(205)
Derivative liabilities – non-hedges			
Foreign exchange contracts	Accrued liabilities	(228)	(388)
Total derivative liabilities		\$ (732)	\$ (593)
Net derivative asset		\$ 1,446	\$ 3,067

Net Derivative Gain or Loss

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

Amount of Loss Recognized in Accumulated Other Comprehensive Loss (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)
--	--	---

Edgar Filing: Hanesbrands Inc. - Form 10-Q

	Quarter Ended		Portion)	Quarter Ended	
	March 31, 2012	April 2, 2011		March 31, 2012	April 2, 2011
Interest rate contracts	\$	\$ (3)	Interest expense, net	\$ (1,114)	\$ (3,389)
Foreign exchange contracts	(1,366)	(2,154)	Cost of sales	75	(658)
Total	\$ (1,366)	\$ (2,157)		\$ (1,039)	\$ (4,047)

The Company expects to reclassify into earnings during the next 12 months a net loss from Accumulated Other Comprehensive Loss of approximately \$4,196.

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

Table of Contents**HANESBRANDS INC.****Notes to Condensed Consolidated Financial Statements (Continued)****(dollars and shares in thousands, except per share data)****(unaudited)**

The Company recognized gains related to ineffectiveness of hedging relationships in the quarter ended March 31, 2012 for foreign exchange contracts of \$80. The Company recognized losses related to ineffectiveness of hedging relationships in the quarter ended April 2, 2011 for foreign exchange contracts of \$3.

The effect of mark to market hedge derivative instruments on the Condensed Consolidated Statements of Income (Loss) is as follows:

	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Loss Recognized in Income Quarter Ended	
		March 31, 2012	April 2, 2011
Foreign exchange contracts	Selling, general and administrative expenses	\$ (2,607)	\$ (1,672)
Total		\$ (2,607)	\$ (1,672)

(7) 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.

As of March 31, 2012, the Company held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis. These consisted of the Company's derivative instruments related to interest rates and foreign exchange rates. The Company's defined benefit pension plan investments are not required to be measured at fair value on a recurring basis. The fair values of interest rate derivatives are determined with pricing models using LIBOR interest rate curves, spreads, volatilities and other relevant information developed using market data and are categorized as Level 2. The fair values of foreign currency derivatives are determined using the cash flows of the foreign exchange contract, discount rates to account for the passage of time and current foreign exchange market data and are categorized as Level 2.

There were no changes during the quarter ended March 31, 2012 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis. There were no transfers between the three level categories and there were no Level 3 assets or liabilities measured on a quarterly basis during the quarter ended March 31, 2012. As of March 31, 2012, the Company did not have any non-financial assets or liabilities that are required to be measured at fair value on a recurring or non-recurring basis.

Table of Contents**HANESBRANDS INC.****Notes to Condensed Consolidated Financial Statements (Continued)****(dollars and shares in thousands, except per share data)****(unaudited)**

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

	Assets (Liabilities) at Fair Value as of March 31, 2012		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign exchange derivative contracts	\$	\$ 2,178	\$
Foreign exchange derivative contracts		(732)	
Total	\$	\$ 1,446	\$

	Assets (Liabilities) at Fair Value as of December 31, 2011		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foreign exchange derivative contracts	\$	\$ 3,660	\$
Foreign exchange derivative contracts		(593)	
Total	\$	\$ 3,067	\$

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 March 31, 2012 and December 31, 2011. The fair value of debt was \$2,188,106 and \$2,030,240 as of March 31, 2012 and December 31, 2011 and had a carrying value of \$2,099,147 and \$1,974,710, 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 approximated fair value as of March 31, 2012 and December 31, 2011, primarily due to the short-term nature of these instruments.

(8) Income Taxes

The Company's effective income tax rate was 15% and 20% for the quarters ended March 31, 2012 and April 2, 2011, respectively. The lower effective income tax rate for the quarter ended March 31, 2012 compared to the quarter ended April 2, 2011 is primarily attributable to a higher proportion of earnings attributed to foreign subsidiaries, which are taxed at rates lower than the U.S. statutory rate, in the quarter ended March 31, 2012 than in the quarter ended April 2, 2011.

(9) Business Segment Information

As a result of the reduced size of sheer hosiery and changing trends, the Company decided in the first quarter of 2012 to change its external segment reporting to include hosiery operations within the Innerwear segment. Hosiery had previously been reported as a separate segment. Prior-year segment sales and operating profit results, including other minor allocation changes, have been revised to conform to the current-year presentation.

Table of Contents**HANESBRANDS INC.****Notes to Condensed Consolidated Financial Statements (Continued)****(dollars and shares in thousands, except per share data)****(unaudited)**

As a result of these changes, the Company's operations are now managed and reported in four operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Outerwear, Direct to Consumer and International. These segments are organized principally by product category, geographic location and distribution channel. Each segment has its own management that is responsible for the operations of the segment's businesses but the segments share a common supply chain and media and marketing platforms.

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

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

Outerwear sells basic branded products that are primarily seasonal in nature under the product categories of casualwear and activewear, as well as licensed logo apparel in collegiate bookstores and other channels.

Direct to Consumer includes the Company's value-based (outlet) stores and Internet operations which sell products from the Company's portfolio of leading brands. The Company's Internet operations are supported by its catalogs.

International primarily relates to the Latin America, Asia, Canada, Europe and South America geographic locations which sell products that span across the Innerwear and Outerwear reportable segments.

The Company evaluates the operating performance of its segments based upon segment operating profit, which is defined as operating profit before general corporate expenses and amortization of trademarks and other identifiable intangibles. The accounting policies of the segments are consistent with those described in Note 2 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2011.

	Quarter Ended	
	March 31, 2012	April 2, 2011
Net sales:		
Innerwear	\$ 509,038	\$ 502,683
Outerwear	294,194	323,926
Direct to Consumer	84,713	82,798
International	120,389	127,003
 Total net sales	 \$ 1,008,334	 \$ 1,036,410

Table of Contents**HANESBRANDS INC.****Notes to Condensed Consolidated Financial Statements (Continued)**

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

(unaudited)

	Quarter Ended	
	March 31, 2012	April 2, 2011
Segment operating profit (loss):		
Innerwear	\$ 51,642	\$ 74,765
Outerwear	(23,900)	25,260
Direct to Consumer	1,082	327
International	3,182	20,346
Total segment operating profit	32,006	120,698
Items not included in segment operating profit:		
General corporate expenses	(22,072)	(15,236)
Amortization of trademarks and other identifiable intangibles	(3,856)	(3,619)
Total operating profit	6,078	101,843
Other expenses	(645)	(601)
Interest expense, net	(36,998)	(41,105)
Income (loss) before income tax expense (benefit)	\$ (31,565)	\$ 60,137

(10) Consolidating Financial Information

In accordance with the indenture governing the Company's \$500,000 Floating Rate Senior Notes issued on December 14, 2006, the indenture governing the Company's \$500,000 8% Senior Notes issued on December 10, 2009 and the indenture governing the Company's \$1,000,000 6.375% Senior Notes issued on November 9, 2010 (together, the Indentures), certain of the Company's subsidiaries have guaranteed the Company's obligations under the Floating Rate Senior Notes, the 8% Senior Notes and the 6.375% Senior Notes, respectively. The following presents the condensed consolidating financial information separately for:

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

(ii) Guarantor subsidiaries, on a combined basis, as specified in the Indentures;

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

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

(v) The Company, on a consolidated basis.

Edgar Filing: Hanesbrands Inc. - Form 10-Q

The Floating Rate Senior Notes, the 8% Senior Notes and the 6.375% Senior Notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary, each of which is wholly owned, directly or indirectly, by Hanesbrands Inc. A guarantor subsidiary's guarantee can be released in certain customary circumstances. Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use by the Parent Company and guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation.

Table of Contents**HANESBRANDS INC.****Notes to Condensed Consolidated Financial Statements (Continued)**

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

(unaudited)

**Condensed Consolidating Statement of Comprehensive Income (Loss)
Quarter Ended March 31, 2012**

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$ 904,757	\$ 140,138	\$ 801,371	\$ (837,932)	\$ 1,008,334
Cost of sales	777,374	64,696	733,634	(821,733)	753,971
Gross profit	127,383	75,442	67,737	(16,199)	254,363
Selling, general and administrative expenses	177,394	35,163	40,265	(4,537)	248,285
Operating profit (loss)	(50,011)	40,279	27,472	(11,662)	6,078
Equity in earnings of subsidiaries	43,628	21,137		(64,765)	
Other expenses	645				645
Interest expense, net	34,506	(4)	2,459	37	36,998
Income (loss) before income tax expense (benefit)	(41,534)	61,420	25,013	(76,464)	(31,565)
Income tax expense (benefit)	(14,704)	6,754	3,215		(4,735)
Net income (loss)	\$ (26,830)	\$ 54,666	\$ 21,798	\$ (76,464)	\$ (26,830)
Comprehensive income (loss)	\$ (21,906)	\$ 54,666	\$ 23,751	\$ (78,417)	\$ (21,906)

**Condensed Consolidating Statement of Comprehensive Income
Quarter Ended April 2, 2011**

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$ 955,692	\$ 140,413	\$ 905,734	\$ (965,429)	\$ 1,036,410
Cost of sales	761,596	65,638	763,676	(909,025)	681,885
Gross profit	194,096	74,775	142,058	(56,404)	354,525
Selling, general and administrative expenses	185,593	33,351	33,735	3	252,682
Operating profit	8,503	41,424	108,323	(56,407)	101,843
Equity in earnings of subsidiaries	79,224	87,101		(166,325)	
Other expenses	601				601
Interest expense, net	38,645	(22)	2,494	(12)	41,105
Income before income tax expense	48,481	128,547	105,829	(222,720)	60,137
Income tax expense	372	5,864	5,792		12,028

Edgar Filing: Hanesbrands Inc. - Form 10-Q

Net income	\$ 48,109	\$ 122,683	\$ 100,037	\$ (222,720)	\$ 48,109
Comprehensive income	\$ 54,481	\$ 122,683	\$ 103,065	\$ (225,748)	\$ 54,481

Table of Contents**HANESBRANDS INC.****Notes to Condensed Consolidated Financial Statements (Continued)**

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

(unaudited)

Condensed Consolidating Balance Sheet					
March 31, 2012					
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 9,129	\$ 1,780	\$ 23,691	\$	\$ 34,600
Trade accounts receivable less allowances	68,912	30,821	426,810	(1,798)	524,745
Inventories	1,141,628	123,502	461,502	(107,390)	1,619,242
Deferred tax assets	168,973	(1,105)	(13,975)		153,893
Other current assets	25,193	8,103	21,945	(167)	55,074
Total current assets	1,413,835	163,101	919,973	(109,355)	2,387,554
Property, net	101,587	45,550	476,735		623,872
Trademarks and other identifiable intangibles, net	12,626	132,580	21,927		167,133
Goodwill	232,882	124,247	76,344		433,473
Investments in subsidiaries	1,965,999	1,081,278		(3,047,277)	
Deferred tax assets	176,645	177,432	41,988		396,065
Other noncurrent assets	(407,937)	415,112	292,288	(231,348)	68,115
Total assets	\$ 3,495,637	\$ 2,139,300	\$ 1,829,255	\$ (3,387,980)	\$ 4,076,212
Liabilities and Stockholders Equity					
Accounts payable	\$ 187,228	\$ 15,715	\$ 198,533	\$	\$ 401,476
Accrued liabilities	169,443	33,274	66,274	48	269,039
Notes payable			41,648		41,648
Accounts Receivable Securitization Facility			163,370		163,370
Total current liabilities	356,671	48,989	469,825	48	875,533
Long-term debt	1,935,777				1,935,777
Pension and postretirement benefits	478,208		10,678		488,886
Other noncurrent liabilities	67,236	35,462	15,573		118,271
Total liabilities	2,837,892	84,451	496,076	48	3,418,467
Stockholders' equity	657,745	2,054,849	1,333,179	(3,388,028)	657,745
Total liabilities and stockholders' equity	\$ 3,495,637	\$ 2,139,300	\$ 1,829,255	\$ (3,387,980)	\$ 4,076,212

Table of Contents**HANESBRANDS INC.****Notes to Condensed Consolidated Financial Statements (Continued)**

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

(unaudited)

**Condensed Consolidating Balance Sheet
December 31, 2011**

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 8,330	\$ 2,726	\$ 24,289	\$	\$ 35,345
Trade accounts receivable less allowances	24,452	32,535	418,052	(4,326)	470,713
Inventories	1,172,582	112,229	423,829	(101,085)	1,607,555
Deferred tax assets	168,843	(1,105)	(13,071)		154,667
Other current assets	26,626	10,282	25,785	(182)	62,511
Total current assets	1,400,833	156,667	878,884	(105,593)	2,330,791
Property, net	107,482	46,553	481,371		635,406
Trademarks and other identifiable intangibles, net	13,430	134,110	22,135		169,675
Goodwill	232,882	124,247	76,267		433,396
Investments in subsidiaries	1,897,579	1,059,475		(2,957,054)	
Deferred tax assets	175,981	177,432	40,807		394,220
Other noncurrent assets	(432,466)	381,951	345,157	(223,461)	71,181
Total assets	\$ 3,395,721	\$ 2,080,435	\$ 1,844,621	\$ (3,286,108)	\$ 4,034,669
Liabilities and Stockholders Equity					
Accounts payable	\$ 236,913	\$ 17,036	\$ 197,576	\$	\$ 451,525
Accrued liabilities	120,807	53,669	77,713	(3)	252,186
Notes payable			63,075		63,075
Accounts Receivable Securitization Facility			166,933		166,933
Total current liabilities	357,720	70,705	505,297	(3)	933,719
Long-term debt	1,807,777				1,807,777
Pension and postretirement benefits	474,786		10,902		485,688
Other noncurrent liabilities	74,377	36,434	15,613		126,424
Total liabilities	2,714,660	107,139	531,812	(3)	3,353,608
Stockholders' equity	681,061	1,973,296	1,312,809	(3,286,105)	681,061
Total liabilities and stockholders' equity	\$ 3,395,721	\$ 2,080,435	\$ 1,844,621	\$ (3,286,108)	\$ 4,034,669

Table of Contents

HANESBRANDS INC.

Notes to Condensed Consolidated Financial Statements (Continued)

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

(unaudited)

	Condensed Consolidating Statement of Cash Flows Quarter Ended March 31, 2012				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 12,631	\$ (3,743)	\$ (38,267)	\$ (64,736)	\$ (94,115)
Investing activities:					
Purchases of property, plant and equipment	(1,438)	(2,188)	(5,548)		(9,174)
Proceeds from sales of assets	70	7	81		158
Net cash used in investing activities	(1,368)	(2,181)	(5,467)		(9,016)
Financing activities:					
Borrowings on notes payable			20,671		20,671
Repayments on notes payable			(42,217)		(42,217)
Borrowings on Accounts Receivable Securitization Facility			56,802		56,802
Repayments on Accounts Receivable Securitization Facility			(60,365)		(60,365)
Borrowings on Revolving Loan Facility	804,000				804,000
Repayments on Revolving Loan Facility	(676,000)				(676,000)
Payments to amend credit facilities			(225)		(225)
Proceeds from stock options exercised	323				323
Other	(823)		(22)		(845)
Net transactions with related entities	(137,964)	4,978	68,250	64,736	
Net cash provided by (used in) financing activities	(10,464)	4,978	42,894	64,736	102,144
Effect of changes in foreign exchange rates on cash			242		242
Increase (decrease) in cash and cash equivalents	799	(946)	(598)		(745)
Cash and cash equivalents at beginning of year	8,330	2,726	24,289		35,345
Cash and cash equivalents at end of period	\$ 9,129	\$ 1,780	\$ 23,691	\$	\$ 34,600

Table of Contents**HANESBRANDS INC.****Notes to Condensed Consolidated Financial Statements (Continued)**

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

(unaudited)

Condensed Consolidating Statement of Cash Flows					
Quarter Ended April 2, 2011					
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ (52,846)	\$ 62,802	\$ 55,337	\$ (166,328)	\$ (101,035)
Investing activities:					
Purchases of property, plant and equipment	(3,425)	(3,469)	(18,517)		(25,411)
Proceeds from sales of assets	29		12,052		12,081
Net cash used in investing activities	(3,396)	(3,469)	(6,465)		(13,330)
Financing activities:					
Borrowings on notes payable			222,149		222,149
Repayments on notes payable			(243,518)		(243,518)
Borrowings on Accounts Receivable Securitization Facility			94,677		94,677
Repayments on Accounts Receivable Securitization Facility			(42,341)		(42,341)
Borrowings on Revolving Loan Facility	1,023,000				1,023,000
Repayments on Revolving Loan Facility	(918,000)				(918,000)
Payments to amend credit facilities	(2,969)		(600)		(3,569)
Proceeds from stock options exercised	2,425				2,425
Other	175		(13)		162
Net transactions with related entities	(46,126)	(59,481)	(60,721)	166,328	
Net cash provided by (used in) financing activities	58,505	(59,481)	(30,367)	166,328	134,985
Effect of changes in foreign exchange rates on cash			513		513
Increase (decrease) in cash and cash equivalents	2,263	(148)	19,018		21,133
Cash and cash equivalents at beginning of year	17,535	2,039	24,097		43,671
Cash and cash equivalents at end of period	\$ 19,798	\$ 1,891	\$ 43,115	\$	\$ 64,804

Table of Contents

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

This management's discussion and analysis of financial condition and results of operations, or MD&A, contains forward-looking statements that involve risks and uncertainties. Please see "Forward-Looking Statements" in this Quarterly Report on Form 10-Q for a discussion of the uncertainties, risks and assumptions associated with these statements. This discussion should be read in conjunction with our historical financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q. The unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with our audited consolidated financial statements and notes for the year ended December 31, 2011, which were included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those included elsewhere in this Quarterly Report on Form 10-Q and those included in the "Risk Factors" section and elsewhere in our Annual Report on Form 10-K.

Overview

We are a consumer goods company with a portfolio of leading apparel brands, including *Hanes*, *Champion*, *Bali*, *Playtex*, *Just My Size*, *Legs, barely there*, *Wonderbra*, *Gear for Sports*, *Stedman*, *Zorba*, *Rinbros*, *Sol y Oro*, *Outer Banks* and *Duofold*. We design, manufacture, source and sell a broad range of basic apparel such as T-shirts, bras, panties, men's underwear, kids' underwear, casualwear, activewear, socks and hosiery.

As a result of the reduced size of sheer hosiery and changing trends, we decided in the first quarter of 2012 to change our external segment reporting to include hosiery operations within the Innerwear segment. Hosiery had previously been reported as a separate segment. Prior-year segment sales and operating profit results, including other minor allocation changes, have been revised to conform to the current-year presentation. As a result of these changes, our operations are now managed and reported in four operating segments, each of which is a reportable segment for financial reporting purposes: Innerwear, Outerwear, Direct to Consumer and International. These segments are organized principally by product category, geographic location and distribution channel. Each segment has its own management that is responsible for the operations of the segment's businesses but the segments share a common supply chain and media and marketing platforms.

Outlook for 2012

We continue to operate in an uncertain and volatile economic environment, which impacted our business in 2011 and continues to do so in 2012. While net sales were slightly lower in the first quarter of 2012 compared to the first quarter of 2011, we expect modest annual sales growth in 2012 of 2% to 4% with projected net sales of \$4.7 billion to \$4.8 billion compared to \$4.6 billion in 2011. The primary drivers of the projected net sales growth are expected to be shelf space gains and net price increases in our Innerwear segment and double-digit shelf space gains in our International segment. These sales gains are expected to be partially offset by sales declines in our Outerwear segment due to lower sales in both our retail and wholesale casualwear categories partially offset by continued sales growth in our activewear category. The growth in our activewear category is expected to come from new programs at major sporting goods retailers as well as expansion of our *C9 by Champion* brand at Target. The expected net sales decline in the wholesale casualwear (imagewear) category is the result of structural challenges within this market relating to higher cotton costs and the hypercompetitive pricing environment. We are slightly ahead of our plan to reposition domestic imagewear to focus on branded product categories and de-emphasize the highly promotional sector of the business, which is expected to result in a smaller, more profitable and less volatile operation in the longer term.

We are focused on delivering profitable growth and remain highly committed to strong cash flow generation and utilizing that cash flow to pay down debt as the year unfolds. Through expected improvements in working capital, primarily from reduction in inventory as a result of declining cotton costs and unit levels, and operating results, we expect to generate approximately \$445 million to \$545 million in operating cash flows in 2012. We expect to use these cash flows primarily for debt reduction. We typically use cash for the first half of the year and generate most of our cash flow in the second half of the year.

Table of Contents

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 back-to-school shopping and holiday selling 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 male underwear, and lower margin products, such as casualwear and 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.

Business and Industry Trends

Inflation and Changing Prices

The economic environment in which we are operating continues to be uncertain and volatile, which could have unanticipated adverse effects on our business during 2012 and beyond. We have seen a sustained increase in various input costs, such as cotton and oil-related materials, utilities, freight and wages, which will primarily impact our results in the first half of 2012. While cotton prices have recently declined, we will continue to have higher prices for cotton and oil-related materials reflected in our cost of sales. Costs incurred today for materials and labor, including cotton, typically impact our results as the inventory is sold approximately six to nine months later. Based on current market conditions, we expect the estimated impact of cost inflation could be in the range of \$250 million to \$300 million higher in 2012 over 2011, of which approximately \$200 million relates to higher cotton costs. Cost inflation impacted our results in the first quarter of 2012 by \$134 million.

Other Business and Industry Trends

The profitability of Outerwear's wholesale casualwear (imagewear) category is being adversely affected by hypercompetitive pricing in the wholesale screen-print market. We expect pricing in this market's basic-product promotional sector to continue to remain problematic, and in response we decided to de-emphasize the highly promotional basic sector while maintaining our presence in the more profitable premium-product and core-product branded sectors where we have a stronger position.

Table of Contents

Due to lower unit volumes from price elasticity and the impact of wholesale casualwear (imagewear) category issues described above, we adjusted manufacturing capacity, primarily by taking time out in our facilities as well as eliminating certain contractors. We incurred \$13 million in charges in the first quarter of 2012 related to these actions. Offsetting these charges will be efficiency savings of approximately \$30 million to \$40 million we expect to realize from our supply chain optimization initiatives in 2012. We achieved \$9 million of these savings during the first quarter of 2012.

Highlights from the First Quarter Ended March 31, 2012

Total net sales in the first quarter of 2012 were \$1.01 billion, compared with \$1.04 billion in the first quarter of 2011, representing a 3% decrease.

Operating profit was \$6 million in the first quarter of 2012, compared with \$102 million in the first quarter of 2011. As a percent of sales, operating profit was 0.6% in the first quarter of 2012 compared to 9.8% in the first quarter of 2011.

Diluted earnings (loss) per share were \$(0.27) in the first quarter of 2012, compared with \$0.49 in the first quarter of 2011.

Gross capital expenditures were \$9 million during the first quarter of 2012, compared with \$25 million in the first quarter of 2011.

Condensed Consolidated Results of Operations First Quarter Ended March 31, 2012 compared with First Quarter Ended April 2, 2011

	Quarter Ended			
	March 31, 2012	April 2, 2011	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	\$ 1,008,334	\$ 1,036,410	\$ (28,076)	(2.7)%
Cost of sales	753,971	681,885	72,086	10.6
Gross profit	254,363	354,525	(100,162)	(28.3)
As a % of net sales	25.2%	34.2%		
Selling, general and administrative expenses	248,285	252,682	(4,397)	(1.7)
As a % of net sales	24.6%	24.4%		
Operating profit	6,078	101,843	(95,765)	(94.0)
Other expenses	645	601	44	7.3
Interest expense, net	36,998	41,105	(4,107)	(10.0)
Income (loss) before income tax expense (benefit)	(31,565)	60,137	(91,702)	(152.5)
Income tax expense (benefit)	(4,735)	12,028	(16,763)	(139.4)
Net income (loss)	\$ (26,830)	\$ 48,109	\$ (74,939)	(155.8)%

Net Sales

Consolidated net sales were \$28 million or 3% lower in the first quarter of 2012 compared to the first quarter of 2011. The lower net sales reflect lower unit sales volume in our wholesale (imagewear), intimate apparel and retail casualwear product categories. Partially offsetting these declines was net sales growth in our men's underwear product category driven by net price increases and our activewear product category as a result of higher unit sales volume.

Table of Contents

Gross Profit

Gross profit was \$100 million lower in the first quarter of 2012 as compared to the first quarter of 2011. As a percentage of net sales, our gross profit was 25.2% in the first quarter of 2012 compared to 34.2% in the first quarter of 2011. The lower gross profit resulted from the following:

Lower gross profit of \$51 million in our Outerwear segment which was impacted by the loss in the wholesale casualwear (imagewear) product category and cost inflation.

Cost inflation, net of pricing and efficiency savings from our supply chain, of approximately \$80 million, of which approximately \$50 is attributable to the Outerwear segment. The cost inflation primarily relates to higher cotton costs. While cotton prices have recently declined, we will continue to have higher prices for cotton and oil-related materials reflected in our cost of sales through the second quarter of 2012.

\$13 million of charges incurred associated with actions taken to adjust manufacturing capacity and eliminate certain contractors due to lower unit volumes and the structural challenges within wholesale (imagewear) casualwear category.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$4 million lower in the first quarter of 2012 compared to the first quarter of 2011. The lower selling, general and administrative expenses were primarily attributable to lower media spending and lower distribution expenses. As a percent of net sales, our selling, general and administrative expenses were 24.6% in the first quarter of 2012 compared to 24.4% in the first quarter of 2011.

Interest Expense - lower by \$4 million primarily due to lower outstanding debt balances. Our weighted average interest rate on our outstanding debt was 5.75% during the first quarter of 2012 compared to 5.80% in the first quarter of 2011.

Income Taxes - our effective income tax rate was 15% in the first quarter of 2012 compared to 20% in the first quarter of 2011. The lower effective tax income tax rate was primarily attributable to a higher proportion of our 2012 earnings attributed to foreign subsidiaries related to our manufacturing operations (which are taxed at rates lower than the U.S. statutory rate) than in 2011.

Operating Results by Business Segment First Quarter Ended March 31, 2012 compared with First Quarter Ended April 2, 2011

	Net Sales Quarter Ended		Operating Profit (Loss) Quarter Ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
	(dollars in thousands)			
Innerwear	\$ 509,038	\$ 502,683	\$ 51,642	\$ 74,765
Outerwear	294,194	323,926	(23,900)	25,260
Direct to Consumer	84,713	82,798	1,082	327
International	120,389	127,003	3,182	20,346
Corporate			(25,928)	(18,855)
Total	\$ 1,008,334	\$ 1,036,410	\$ 6,078	\$ 101,843

Table of Contents**Innerwear**

	Quarter Ended			
	March 31, 2012	April 2, 2011	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	\$ 509,038	\$ 502,683	\$ 6,355	1.3%
Segment operating profit	51,642	74,765	(23,123)	(30.9)

Overall net sales in the Innerwear segment were higher by \$6 million in the first quarter of 2012 compared to the first quarter of 2011. The higher net sales were primarily driven by the following:

Stronger net sales of our men's underwear product category (6%), primarily resulting from price increases, partially offset by lower unit sales volume.

Lower net sales in our intimate apparel product category (4%), primarily due to lower net sales of bras, partially offset by higher net sales of panties and hosiery. The lower intimate apparel net sales is primarily the result of lower unit sales volume due to a softness in the intimate apparel category, partially offset by net price increases and space gains.

Lower net sales of socks (6%) product category, primarily due to lower *Hanes* brand net sales primarily due to lower unit sales volume, partially offset by net price increases and space gains.

Innerwear segment operating profit was \$23 million lower in the first quarter of 2012 compared to the first quarter of 2011 primarily due to cost inflation, particularly cotton, and lower sales volume. These higher costs were partially offset by higher net product pricing, efficiency savings related to our supply chain optimization and lower media spending.

Outerwear

	Quarter Ended			
	March 31, 2012	April 2, 2011	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	\$ 294,194	\$ 323,926	\$ (29,732)	(9.2)%
Segment operating profit (loss)	(23,900)	25,260	(49,160)	(194.6)

Outerwear segment net sales were lower by \$30 million or 9% in the first quarter of 2012 compared to the first quarter of 2011. The lower net sales was primarily due to the following:

Lower net sales in our wholesale casualwear (imagewear) category (35%), primarily due to lower unit sales volume resulting from structural challenges within this market relating to higher cotton prices and the hyper-competitive pricing environment.

Lower net sales in our retail casualwear category (11%) were impacted by a retailer's decision to focus our *Just My Size* brand toward more core basics versus a mix with fashion-oriented lines, partially offset by space gains for our *Hanes* brand in the mass merchant channel.

Higher net sales in our activewear category (15%), primarily due to higher unit sales volume. Our *Champion* brand has achieved growth by focusing on the fast growing active demographic with a unique moderate price positioning.

Edgar Filing: Hanesbrands Inc. - Form 10-Q

Outerwear segment operating profit was \$49 million lower in the first quarter of 2012 compared to the first quarter of 2011 primarily due to cost inflation, primarily cotton, and lower sales volume. These higher costs were partially offset by efficiency savings related to our supply chain optimization and favorable product sales mix and lower media spending.

Table of Contents**Direct to Consumer**

	Quarter Ended			
	March 31, 2012	April 2, 2011	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	\$ 84,713	\$ 82,798	\$ 1,915	2.3%
Segment operating profit	1,082	327	755	230.9

Direct to Consumer segment net sales were higher by \$2 million in the first quarter of 2012 compared to the first quarter of 2011 due to higher net sales related to our outlet stores and Internet operations. Comparable store sales were 4% higher in the first quarter of 2012 compared to the first quarter of 2011.

Direct to Consumer segment operating profit was slightly higher in the first quarter of 2012 compared to the first quarter of 2011 primarily due to lower media spending, partially offset by cost inflation.

International

	Quarter Ended			
	March 31, 2012	April 2, 2011	Higher (Lower)	Percent Change
	(dollars in thousands)			
Net sales	\$ 120,389	\$ 127,003	\$ (6,614)	(5.2)%
Segment operating profit	3,182	20,346	(17,164)	(84.4)

Overall net sales in the International segment were lower by \$7 million or 5% in the first quarter of 2012 compared to the first quarter of 2011. Excluding the impact of foreign exchange rates on currency, International segment net sales were lower by 4%. The lower net sales were primarily as a result of the following:

Lower net sales in Asia of \$6 million, primarily resulting from a one-time termination fee of \$5 million that we received in the first quarter of 2011 related to a royalty license agreement.

Lower net sales in Europe of \$5 million in the wholesale casualwear (imagewear) category. Similar to our domestic wholesale casualwear category, our European wholesale casualwear category was impacted by structural challenges relating to higher cotton prices and the hyper-competitive pricing environment.

Higher net sales in our activewear product category in Australia of \$8 million, primarily resulting from a benefit from the acquisition of the assets of the TNF Group Unit Trust from TNF Group Pty Ltd, as trustee, and of Player Sportswear Unit Trust from Player Sportswear Pty Ltd, as trustee (collectively "TNF") in April 2011.

International segment operating profit was lower by \$17 million in the first quarter of 2012 compared to the first quarter of 2011. In addition to increased cotton costs and other inflation, the lower operating profit was attributable to a softness in the European imagewear category and a one-time termination fee of \$5 million that we received in the first quarter of 2011 related to a royalty license agreement.

General Corporate Expenses

General corporate expenses were higher in the first quarter of 2012 compared to the first quarter of 2011 primarily due to higher pension expense and higher corporate spending in various categories.

Table of Contents

Liquidity and Capital Resources

Trends and Uncertainties Affecting Liquidity

Our primary sources of liquidity are cash generated by operations and availability under the \$600 million revolving credit facility (the "Revolving Loan Facility") under the 2009 Senior Secured Credit Facility, the accounts receivable securitization facility that we entered into in November 2007 (the "Accounts Receivable Securitization Facility") and our international loan facilities. At March 31, 2012, we had \$446 million of borrowing availability under our Revolving Loan Facility (after taking into account outstanding letters of credit), \$97 million of borrowing availability under our international loan facilities, \$35 million in cash and cash equivalents, and no borrowing availability under our Accounts Receivable Securitization Facility. 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 expect to continue to invest in efforts to improve operating efficiencies and lower costs;

we may selectively pursue strategic acquisitions;

we could increase or decrease the portion of the income of our foreign subsidiaries that is expected to be remitted to the United States, which could significantly impact our effective income tax rate; and

our board of directors has authorized the repurchase of up to 10 million shares of our stock in the open market over the next few years (2.8 million of which we have repurchased as of March 31, 2012 at a cost of \$75 million).

We expect to be able to manage our working capital levels and capital expenditure amounts to maintain sufficient levels of liquidity. Although we may choose to pursue strategic acquisitions or repurchase our stock in the open market, during 2012 and 2013 we intend to primarily utilize cash flow for the reduction of long-term debt.

Inflation and Changing Prices

The economic environment in which we are operating continues to be uncertain and volatile, which could have unanticipated adverse effects on our business during 2012 and beyond. We have seen a sustained increase in various input costs, such as cotton and oil-related materials, utilities, freight and wages, which will primarily impact our results in the first half of 2012. Based on current market conditions, we expect the estimated impact of cost inflation could be in the range of \$250 million to \$300 million higher in 2012 over 2011, of which approximately \$200 million relates to higher cotton costs. Cost inflation impacted our results in the first quarter of 2012 by \$134 million. While cotton prices have recently declined, we will continue to have higher prices for cotton and oil-related materials reflected in our cost of sales. Costs incurred today for materials and labor, including cotton, typically do not impact our results as the inventory is sold approximately six to nine months later.

Cash Requirements for Our Business

We rely on our cash flows generated from operations and the borrowing capacity under our Revolving Loan Facility, Accounts Receivable Securitization Facility and international loan facilities to meet the cash requirements of our business. The primary cash requirements of our business are payments to vendors in the normal course of business, capital expenditures, maturities of debt and related interest payments, contributions to our pension plans and repurchases of our stock. We believe we have sufficient cash and available borrowings for our liquidity needs.

Edgar Filing: Hanesbrands Inc. - Form 10-Q

There have been no significant changes in the cash requirements for our business from those described in our Annual Report on Form 10-K for the year ended December 31, 2011.

Table of Contents***Sources and Uses of Our Cash***

The information presented below regarding the sources and uses of our cash flows for the quarters ended March 31, 2012 and April 2, 2011 was derived from our consolidated financial statements.

	Quarter Ended	
	March 31, 2012	April 2, 2011
	(dollars in thousands)	
Operating activities	\$ (94,115)	\$ (101,035)
Investing activities	(9,016)	(13,330)
Financing activities	102,144	134,985
Effect of changes in foreign currency exchange rates on cash	242	513
Increase (decrease) in cash and cash equivalents	(745)	21,133
Cash and cash equivalents at beginning of year	35,345	43,671
Cash and cash equivalents at end of period	\$ 34,600	\$ 64,804

Operating Activities

Net cash used in operating activities was \$94 million in the first quarter of 2012 compared to \$101 million in the first quarter of 2011. The lower net cash used in operating activities is primarily attributable to lower uses of our working capital, partially offset by recognizing a net loss of \$27 million in the first quarter of 2012 compared to net income of \$48 million in the first quarter of 2011.

Through expected improvements in working capital, primarily from a reduction in inventory levels as a result of declining cotton costs and unit levels, and operating results, we expect to generate \$445 million to \$545 million in operating cash flows in 2012. We expect to use these cash flows primarily for debt reduction. We typically use cash for the first half of the year and generate most of our cash flow in the second half of the year.

Investing Activities

Net cash used in investing activities was \$9 million in the first quarter of 2012 compared to \$13 million in the first quarter of 2011. The lower net cash used in investing activities was primarily the result of lower gross capital expenditures of \$16 million, partially offset by lower proceeds from sales of assets of \$12 million.

Financing Activities

Net cash provided by financing activities was \$102 million in the first quarter of 2012 compared to \$135 million in the first quarter of 2011. The lower net cash from financing activities was primarily the result of lower borrowings on our Accounts Receivable Securitization Facility partially offset by higher borrowings under our Revolving Loan Facility.

Financing Arrangements

In March 2012, we amended the Accounts Receivable Securitization Facility. This amendment decreased certain usage fee rates and extended the termination date to March 15, 2013.

As of March 31, 2012, we were in compliance with all financial covenants under our credit facilities. We expect to maintain compliance with our covenants for the foreseeable future, however economic conditions or the occurrence of events discussed under **Risk Factors** in our Annual Report on Form 10-K or other SEC filings could cause noncompliance.

Table of Contents

There have been no other significant changes in the financing arrangements from those described in our Annual Report on Form 10-K for the year ended December 31, 2011.

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.

Critical Accounting Policies and Estimates

We have chosen accounting policies that we believe are appropriate to accurately and fairly report our operating results and financial condition in conformity with accounting principles generally accepted in the United States. We apply these accounting policies in a consistent manner. Our significant accounting policies are discussed in Note 2, titled *Summary of Significant Accounting Policies*, to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011.

The application of critical accounting policies requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. These estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. We evaluate these estimates and assumptions on an ongoing basis and may retain outside consultants to assist in our evaluation. If actual results ultimately differ from previous estimates, the revisions are included in results of operations in the period in which the actual amounts become known. The critical accounting policies that involve the most significant management judgments and estimates used in preparation of our financial statements, or are the most sensitive to change from outside factors, are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no material changes in these policies during the quarter ended March 31, 2012.

Recently Issued Accounting Pronouncements

Disclosures About Offsetting Assets and Liabilities

In December 2011, the FASB issued new accounting rules related to new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The new rules are effective for us in the first quarter of 2015 with retrospective application required. We do not expect the adoption of the new accounting rules to have a material effect on our financial condition, results of operations or cash flows.

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

There have been no significant changes in our market risk exposures from those described in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 4. *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.

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 period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II

Item 1. *Legal Proceedings*

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

Item 1A. *Risk Factors*

No updates to report.

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

None.

Item 3. *Defaults Upon Senior Securities*

None.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

None.

Item 6. *Exhibits*

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

Table of Contents

SIGNATURES

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

HANESBRANDS INC.

By: /s/ Richard D. Moss

Richard D. Moss

Chief Financial Officer

(Duly authorized officer and principal financial officer)

Date: April 25, 2012

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).
3.2	Articles Supplementary (Junior Participating Preferred Stock, Series A) (incorporated by reference from Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2006).
3.3	Amended and Restated Bylaws of Hanesbrands Inc. (incorporated by reference from Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 2008).
10.01	Amendment No. 9 dated as of March 16, 2012 to the Accounts Receivables Securitization Facility (incorporated by reference from Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities Exchange Commission on March 19, 2012).
31.1	Certification of Richard A. Noll, Chief Executive Officer.
31.2	Certification of Richard D. Moss, Chief Financial Officer.
32.1	Section 1350 Certification of Richard A. Noll, Chief Executive Officer.
32.2	Section 1350 Certification of Richard D. Moss, 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*

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.