

## **Gildan Activewear Inc.**

### **Recast Historical Statements of Earnings and Comprehensive Income**

As previously disclosed in the Company's 2008 Annual Management's Discussion and Analysis, effective from the first quarter of fiscal 2009, the Company has adopted changes in accounting policies pursuant to recent Canadian accounting pronouncements and has changed certain classifications in its Statement of Earnings and Comprehensive Income.

We have made available, on our website, recast annual Consolidated Statements of Earnings and Comprehensive Income for fiscal years 2003 to 2008 and recast Interim Consolidated Statements of Earnings and Comprehensive Income for each interim period within fiscal years 2007 and 2008. We have also included a reconciliation of the previously reported amounts to the amounts recast for each caption in the Consolidated Statements of Earnings and Comprehensive Income.

The recast amounts reflect the retrospective application of the following accounting changes:

- Adoption of CICA Handbook Section 3064, *Goodwill and Intangible Assets* (Change in accounting policy for plant start-up costs);
- Adoption of Canadian Institute of Chartered Accountants (CICA) Handbook Section 3031, *Inventories*, resulting in a change in classification of depreciation expense related to manufacturing activities; and
- Other changes to classifications in the Consolidated Statements of Earnings and Comprehensive Income

The nature and impact of these changes are described in more detail below.

#### **Adoption of CICA Handbook Section 3064, *Goodwill and Other Intangible Assets***

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. Section 3064 establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new section also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. This section applies to interim and annual financial statements relating to Gildan's fiscal year beginning on October 6, 2008 and has been adopted on a retrospective basis effective from the first quarter of fiscal 2009.

Prior to the adoption of Section 3064, Gildan capitalized and amortized plant start-up costs on a straight-line basis over two years. The adoption of this section on a retrospective basis has resulted in changes to historical amounts of net earnings and comprehensive income, and Adjusted net earnings<sup>1</sup>, as described in the Recast Statements of Earnings and Comprehensive

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<sup>1</sup> Adjusted net earnings is a non-GAAP measure. For a definition and description of Adjusted net earnings see "Non-GAAP Measures" on page 24 of our 2008 Annual MD&A.

Income and related notes available on our website. These changes reflect the reversal of the amortization of deferred plant start-up costs previously recorded in those years, and the expensing of plant start-up costs that were previously capitalized.

### **Adoption of CICA Handbook Section 3031, *Inventories***

Effective from the first quarter of fiscal 2009, Gildan adopted CICA Handbook Section 3031, *Inventories*, which replaces Section 3030, *Inventories* and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards (IFRS). The new section requires depreciation expense related to manufacturing activities to be included in cost of sales. As a result of adopting Section 3031, depreciation expense related to manufacturing activities is now included in cost of sales. The remaining depreciation and amortization expense has been reclassified to selling, general and administrative (SG&A) expenses, including depreciation related to our sales and distribution facilities, corporate head office, and the amortization of intangible assets. Depreciation and amortization expense is therefore no longer presented as a separate caption on the Statement of Earnings and Comprehensive Income. The effect of the change in classification, which has been applied with retrospective application to comparative figures presented for prior periods, is a decrease in gross profit and an increase in SG&A expenses compared to amounts previously reported.

The change in classification has no impact on net earnings and comprehensive income.

### **Other Changes to Classifications in the Statement of Earnings and Comprehensive Income**

In addition to the change to the classification of depreciation and amortization expense described above, Gildan has changed other classifications in its Statement of Earnings and Comprehensive Income effective from the first quarter of fiscal 2009, with retrospective application to comparative figures presented for prior periods, to further align the results of operations by function.

Outbound freight, previously classified within SG&A expenses, is now reported within cost of sales. This change in classification has resulted in a decrease in gross profit and SG&A expenses, compared to the amounts previously reported.

In addition, a new caption is now presented in the Consolidated Statement of Earnings and Comprehensive Income for Financial expenses and income, which includes interest expense and income, foreign exchange gains and losses (including mark-to-market adjustments of forward foreign exchange contracts), and other financing charges. Previously, interest expense and income were presented as a separate caption, foreign exchange gains and losses were included within cost of sales, and other financing charges were included within SG&A expenses.

There is no impact on net earnings and comprehensive income as a result of the changes in classification described above.