



Q2 2010

REPORT TO SHAREHOLDERS

May 12, 2010

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This Management's Discussion and Analysis (MD&A) comments on Gildan's operations, performance and financial condition as at and for the three and six months ended April 4, 2010, compared to the corresponding periods in the previous year. For a complete understanding of our business environment, trends, risks and uncertainties and the effect of accounting estimates on our results of operations and financial condition, this MD&A should be read together with the unaudited interim Consolidated Financial Statements as at and for the three and six months ended April 4, 2010, and the related notes, and with our MD&A for the year ended October 4, 2009 (2009 Annual MD&A) which is part of the fiscal 2009 Annual Report. This MD&A is dated May 12, 2010. All amounts in this report are in U.S. dollars, unless otherwise noted.

All financial information contained in this MD&A and in the unaudited interim Consolidated Financial Statements has been prepared in accordance with Canadian generally accepted accounting principles (GAAP), except for certain information discussed in the paragraph entitled "Non-GAAP Measures" in this MD&A. The unaudited Interim Consolidated Financial Statements and this MD&A were reviewed by Gildan's Audit and Finance Committee and were approved by our Board of Directors.

Additional information about Gildan, including our 2009 Annual Information Form, is available on our website at www.gildan.com, on the SEDAR website at www.sedar.com, and on the EDGAR section of the U.S. Securities and Exchange Commission website (which includes the Annual Report on Form 40-F) at www.sec.gov.

This document contains forward-looking statements, which are qualified by reference to, and should be read together with, the "Forward-looking Statements" cautionary notice on page 28.

In this MD&A, "Gildan", the "Company", or the words "we", "us", "our" refer, depending on the context, either to Gildan Activewear Inc. or to Gildan Activewear Inc. together with its subsidiaries and joint venture.

OUR BUSINESS

OUR PRODUCTS AND MARKETS

We are a marketer and vertically-integrated globally cost-competitive manufacturer of basic, non-fashion apparel products for customers requiring an efficient supply chain and consistent product quality for high-volume replenishment programs. We sell activewear products to screenprint markets in North America, Europe and other international markets. Gildan is the leading supplier of activewear for the screenprint channel in the U.S. and Canada, and also a leading supplier for this market in Europe and Mexico. We sell socks and underwear, in addition to our activewear products, to mass market and regional retailers in North America. In the U.S. mass market retail channel, Gildan is one of the leading suppliers of socks. The Company operates in one business segment, being high-volume, basic, frequently replenished, non-fashion apparel.

Our activewear products, namely T-shirts, fleece and sport shirts are sold under the Gildan brand in large quantities to wholesale distributors as undecorated "blanks", which are subsequently sold to screenprinters and embroiderers who decorate the products with designs and logos. Screenprinters then sell the imprinted activewear to a highly diversified range of end-use markets, including educational institutions, athletic dealers, event merchandisers, promotional product distributors, charity organizations, entertainment promoters, and travel and tourism venues. Our activewear products are used in a variety of daily activities by individuals, including work and school uniforms and athletic team wear, and for various other purposes to convey individual, group and team identity. We are also growing our private label activewear business to provide undecorated products to large branded apparel companies and retailers which sell imprinted activewear and are currently not supplied by our existing U.S. wholesale distributors. In the North American mass-market and regional retailer channel, we sell a variety of styles of socks and men's and boys' underwear, in addition to our undecorated activewear products, under various retailer private labels and under the Gildan brand.

All of our products are made of 100% cotton or of blends of cotton and synthetic fibres. Our products are characterized by low-fashion risk compared to other apparel categories since these products are basic, frequently replenished, and since logos and designs for the screenprint market are not imprinted or embroidered by Gildan. Our value proposition combines consistent quality, competitive pricing and fast and flexible replenishment, due to our geographical proximity to our markets, as well as our leadership in corporate social responsibility and environmental sustainability. As a vertically-integrated manufacturer, Gildan is able to provide premium products to customers in a broad range of sizes, colours and styles with enhanced product features, such as pre-shrunk fabrics, and a selection of fabric weights, blends and construction. Innovations in the manufacturing process of our activewear products have allowed us to ensure colour/shade consistency and high performance of the garments. In addition, innovations in the sock manufacturing process, such as higher needle count machines and seamless toe closing operations have allowed Gildan to deliver enhanced sock product features at lower prices. These innovations have resulted in further improving the value proposition of our activewear and sock products to our customers.

OUR FACILITIES

Textile and Sock Manufacturing

To support our sales in the various markets, we have built modern manufacturing facilities located in Central America and the Caribbean Basin where we manufacture T-shirts, fleece, sport shirts, socks and underwear. Our largest manufacturing hub in Central America includes our first vertically-integrated knitting, bleaching, dyeing, finishing and cutting textile facility (Rio Nance 1) to produce activewear fabric and, more recently, underwear fabric. This facility, located in Rio Nance, Honduras, became operational in fiscal 2002. During fiscal 2007, we expanded our operations in Rio Nance to include a new integrated textile facility for the production of activewear fabric (Rio Nance 2) and a new integrated sock manufacturing facility (Rio Nance 3). During the second quarter of fiscal 2010, the construction of the building of a second integrated sock manufacturing facility (Rio Nance 4) in Rio Nance was substantially completed and the ramp-up of production began in the month of April. Rio Nance 4 is expected to further support our projected future sales growth in the sock category and position us to continue to reduce our sock manufacturing costs. In addition to our integrated sock manufacturing operations located in our Central America hub, we operate U.S. sock knitting facilities in Fort Payne, Alabama.

We have also established a vertically-integrated Caribbean Basin manufacturing hub with a textile facility for the production of activewear fabric in Bella Vista, Dominican Republic, which became operational in fiscal 2005. The Company is planning further textile capacity expansion in its existing manufacturing hubs in the Dominican Republic and Central America.

Acquisition of manufacturing facility in Bangladesh

On March 31, 2010, we completed the acquisition of Shahriyar Fabric Industries Limited (Shahriyar), a vertically-integrated knitting, dyeing, finishing, cutting and sewing facility for the manufacture of high-quality ring-spun T-shirts near Dhaka, Bangladesh, for a total consideration of \$15.3 million. The purpose of this strategic acquisition was to begin the development over time of a potential vertically-integrated manufacturing hub in Asia, with an infrastructure and geographical location to position the Company to pursue its growth strategy in its target geographic markets in Asia and Europe. We refer the reader to Note 4 to the unaudited interim Consolidated Financial Statements.

Sewing Facilities

Our sewing facilities for activewear and underwear are strategically located in close proximity to our textile manufacturing facilities. We operate sewing facilities in Honduras and Nicaragua to support our textile manufacturing hub in Central America. During fiscal 2010, we plan to expand our sewing capacity in order to support further textile expansion plans to service our projected future sales growth. Textiles produced at our vertically-integrated textile manufacturing facility in the Dominican Republic are sewn at third-party contractor operations in Haiti and at our sewing facility in the Dominican Republic, which began operating in fiscal 2009.

As disclosed in our fiscal 2010 first quarter MD&A, the earthquake which struck Haiti on January 12, 2010 impacted Gildan's third-party contractor operations used to sew the majority of the fabric produced at its Dominican Republic textile facility. Gildan implemented temporary contingency plans to minimize the disruption of contractor production in Haiti by increasing capacity at its integrated sewing facilities in the Dominican Republic, Honduras and Nicaragua. Contractor operations in Haiti began to resume operations shortly after the earthquake and by the end of the second quarter of fiscal 2010, contractor operations had returned to production levels substantially similar to those prior to the impact of the earthquake.

Yarn-Spinning

CanAm Yarns, LLC (CanAm), our joint-venture company with Frontier Spinning Mills, Inc. (Frontier), operates yarn-spinning facilities in Georgia and North Carolina. CanAm's yarn-spinning operations, together with supply agreements currently in place with Frontier and other third-party yarn providers, serve to meet our yarn requirements.

Sales, Marketing and Distribution

Our sales and marketing office which services our global screenprint markets is located in St. Michael, Barbados. This office is responsible for customer-related functions, including sales management, marketing, customer service, credit management, sales forecasting, and inventory control and logistics.

We distribute our activewear products for the screenprint channel primarily out of our distribution centre in Eden, North Carolina, and also use third-party warehouses in the western United States, Canada, Mexico, Europe and Asia to service our customers in these markets. Shipments are also made directly from our manufacturing facilities. The Company is planning an expansion of the Eden, North Carolina distribution centre to service demand in the U.S. wholesale distributor channel and further reduce distribution costs.

During the first quarter of fiscal 2010, we announced plans to consolidate our existing distribution centres servicing retail customers at our new retail distribution centre and office building in Charleston, South Carolina which will result in the closure of our existing retail distribution facilities in Martinsville, Virginia and Fort Payne, Alabama during the second half of fiscal 2010. We are consolidating retail sales and customer support activities at our Charleston office during the second half of fiscal 2010.

Employees and Corporate Offices

As of the end of the second quarter of fiscal 2010 we employed more than 25,000 full-time employees worldwide. Our corporate head office is located in Montreal, Canada.

COMPETITIVE ENVIRONMENT

The market for our products is highly competitive. Competition is generally based upon price, with reliable quality and service also being critical requirements for success. Our competitive strengths include our expertise in building and operating large-scale, vertically-integrated offshore manufacturing hubs which allows us to offer competitive pricing, consistent product quality, and a supply chain which efficiently services replenishment programs with short production/delivery cycle times. Our investments combined with our commitment to leading environmental and social responsibility practices are also increasingly becoming important factors for our customers. We are focused on providing a more socially and environmentally responsible supply chain for our customers by employing progressive hiring and employment practices in good working conditions, minimizing our impact on the environment and contributing to communities in the countries in which we operate.

Gildan is the leading supplier of activewear products for the screenprint channel in the U.S. and Canada, and also a leading supplier for this market in Europe and Mexico. In the U.S. mass-market retail channel Gildan is one of the leading suppliers of socks. Our primary competitors in North America are the major manufacturers for the screenprint and retail channels, such as Hanesbrands Inc., Berkshire Hathaway Inc. through its subsidiaries Fruit of the Loom, Inc. and Russell Corporation, and smaller U.S.-based

manufacturers, including Anvil Knitwear Inc. We also compete with Alstyle Apparel, a division of Ennis Corp., and Delta Apparel Inc. The competition in the European screenprint channel is similar to that in North America, as we compete primarily with the European divisions of the major U.S.-based manufacturers mentioned above. We also continue to face the threat of increasing global competition. In Europe, we also have large competitors that do not have integrated manufacturing operations and source products from suppliers in Asia. In addition, many of Gildan's U.S. competitors servicing the retail apparel industry currently source products from Asia.

ECONOMIC ENVIRONMENT

As noted in the MD&A of prior periods, the severe downturn in the overall economic environment during fiscal 2009 negatively impacted demand for our products in the U.S. and other international screenprint markets, including significant inventory destocking at the U.S. distributor level. Weaker demand and customer inventory reductions also occurred in the mass-market retail channel during fiscal 2009. Year-over-year unit shipments from U.S. wholesale distributors to U.S. screenprinters in fiscal 2009 were down approximately 14.7% based on the S.T.A.R.S. report produced by ACNielsen Market Decisions. The decline in overall unit shipments from U.S. wholesale distributors to U.S. screenprinters continued in the first quarter of fiscal 2010, with an overall market decline of 8.9%.

During the second quarter of fiscal 2010, we began to experience a turn around in demand in our target screenprint markets. Unit shipments from U.S. wholesale distributors to U.S. screenprinters for the three months ended March 31, 2010 increased 3.4% compared to the same period last year, which reflected the first quarter of growth following eight consecutive quarters of overall industry demand declines. The positive trend in market recovery continued to improve each month during the second quarter, with the month of March showing overall industry growth of 8.9%. Gildan continued to gain market share in the channel which resulted in a 16.2% increase in unit shipments of Gildan products by U.S. distributors to U.S. screenprinters compared to the 3.4% increase in overall industry demand. Please refer to the section entitled "Outlook" in this interim MD&A.

STRATEGY AND OBJECTIVES

Our growth strategy comprises the following initiatives:

1. Maximize screenprint market penetration and opportunities

While we have achieved a leadership position in the screenprint channel in the U.S. and in Canada, we also intend to grow our private label activewear business to provide undecorated products to large non-retailer branded apparel companies. We believe we can continue to expand our presence in international screenprint markets, primarily in Europe, Mexico and the Asia/Pacific region. We have further developed and continue to expand our integrated manufacturing hubs in Central America and the Caribbean Basin to support our projected growth, including allocating capacity to service product categories and geographical locations where our growth was previously constrained by capacity availability. The recent acquisition of a vertically-integrated knitting, dyeing, finishing, cutting and sewing facility for the manufacture of ring-spun T-shirts in Bangladesh is expected to support our strategy to grow our international business in Asia and Europe.

2. Leverage our successful business model to further penetrate the mass-market retail channel

The acquisitions of two U.S. retail sock manufacturing companies in fiscal 2006 and fiscal 2008, combined with the addition of new branded and private label sock programs, have positioned us as a leading supplier of basic family socks in the U.S. mass-market retail channel. We intend to continue to build and leverage our significant market position in socks to establish a significant presence in the mass-market retail channel with our activewear and underwear product lines. We are leveraging our existing core competencies, successful

business model and competitive strengths. Our value proposition in the retail channel as in the screenprint channel combines consistent quality, competitive pricing and fast and flexible replenishment, due to our geographical proximity to our markets, as well as our leadership in corporate social responsibility and environmental sustainability. Within the mass-market retail channel, we are positioning ourselves as a strategic private label supplier of socks, activewear and underwear to mass retailers seeking to consolidate their supply chain with fewer, larger manufacturers. We are also pursuing a strategy of selling our products with the Gildan brand to regional retailers.

3. Continue to generate manufacturing and distribution cost reductions

We seek to continuously improve our manufacturing and distribution processes and cost structure by developing and investing in cost-reduction initiatives. In addition to the continuing consolidation of our manufacturing operations to our Central American and Caribbean Basin hubs, we are implementing other cost reduction initiatives. These include, among others, our plans to reduce our reliance on high-cost fossil fuels and further reduce our impact on the environment by installing additional biomass facilities as an alternate source of natural renewable energy, and other initiatives to increase the efficiency of our energy-intensive equipment and processes, which reflects the Company's commitment to sustainability. We are also planning to achieve further efficiencies in operating our distribution activities, including savings resulting from the consolidation of our existing distribution centres servicing retail customers at our new distribution centre in Charleston, South Carolina, and the further expansion of our Eden, North Carolina distribution centre.

4. Re-invest and/or redistribute cash flow

We will evaluate opportunities to reinvest our cash flows generated from operations. Our primary use of cash will continue to be to finance our working capital and capital expenditure requirements to support our organic growth, but at the same time we are prepared to evaluate complementary strategic acquisition opportunities which meet our return on investment criteria, based on our risk-adjusted cost of capital. In addition, we may consider share repurchases if management and the Board at any time believe that our shares are undervalued, and we also intend, as we have done periodically in the past, to discuss with our Board the possible introduction of a dividend.

We are subject to a variety of business risks that may affect our ability to maintain our current market share and profitability, as well as our ability to achieve our short and long-term strategic objectives. These risks are described under the "Financial Risk Management" and "Risks and Uncertainties" sections of our 2009 Annual MD&A, as subsequently updated in our first quarter 2010 interim MD&A and in this interim MD&A.

OPERATING RESULTS

NON-GAAP MEASURES

We use non-GAAP measures to assess our operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. We use non-GAAP measures including adjusted net earnings, adjusted diluted EPS, EBITDA, free cash flow, total indebtedness and cash in excess of total indebtedness/net indebtedness to measure our performance from one period to the next without the variation caused by certain adjustments that could potentially distort the analysis of trends in our operating performance, and because we believe such measures provide meaningful information on the Company's financial condition and operating results.

We refer the reader to the section entitled "Definition and Reconciliation of Non-GAAP Measures" in this interim MD&A for the definition and complete reconciliation of all non-GAAP measures used and presented by the Company to the most directly comparable GAAP measures.

SUMMARY OF QUARTERLY RESULTS

The table below sets forth certain summarized unaudited quarterly financial data for the eight most recently completed quarters. This quarterly information is unaudited and has been prepared on the same basis as the annual audited Consolidated Financial Statements. The operating results for any quarter are not necessarily indicative of the results to be expected for any period.

<i>(in \$ millions, except per share amounts)</i>	2010				2009			2008
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net sales	326.8	220.4	301.7	307.8	244.8	184.0	324.7	380.8
Net earnings	48.8	28.0	42.4	41.5	7.1	4.3	21.8	54.5
Net earnings per share								
Basic EPS ⁽¹⁾	0.40	0.23	0.35	0.34	0.06	0.04	0.18	0.45
Diluted EPS ⁽¹⁾	0.40	0.23	0.35	0.34	0.06	0.04	0.18	0.45
Total assets	1,178.8	1,101.5	1,082.4	1,126.3	1,109.1	1,037.4	1,095.0	1,098.6
Total long-term financial liabilities	0.7	3.2	4.4	92.9	121.5	51.2	53.0	108.4
Weighted average number of shares outstanding (in '000s)								
Basic	121,061	120,977	120,959	120,911	120,799	120,573	120,531	120,492
Diluted	121,919	121,762	121,668	121,483	121,178	121,408	121,558	121,622

(1) Quarterly EPS may not add to year-to-date EPS due to rounding.

Seasonality and Other Factors Affecting the Variability of Results and Financial Condition

Our results of operations for interim periods and for full fiscal years are impacted by the variability of certain factors, including, but not limited to changes in end-use demand and customer demand, including our customers' decision to increase or decrease their inventory levels, changes in our sales mix, and fluctuations in selling prices. While our products are sold on a year-round basis, our business experiences seasonal changes in demand which result in quarterly fluctuations in operating results. Typically, demand for our T-shirts is highest in the third quarter of each fiscal year, when distributors purchase inventory for the peak summer selling season, and lowest in the first quarter of each fiscal year. Demand for fleece is typically highest, in advance of the Fall and Winter seasons, in the third and fourth quarters of each fiscal year. For our sock products, demand is typically highest in the first and fourth quarters of each fiscal year, stimulated largely by the cooler weather and the need to support requirements for the back-to-school period and the holiday season.

Historically, we have operated our mature facilities at full capacity throughout the year in order to be cost efficient. Consequently, with the seasonal sales trends of our business, we experience fluctuations in our inventory levels throughout the year, in particular a build-up of inventory levels in the first half of the year. In the last three quarters of fiscal 2009, Gildan took some production downtime in order to align its inventory levels with sales demand, in the context of the weak economic conditions during the year.

Our trade accounts receivable balances also fluctuate as a result of seasonal sales trends, and days' sales outstanding (DSO) are also impacted by seasonal programs for our fleece and long-sleeve T-shirts shipped in the third and fourth quarters with extended payment terms. Consequently, trade accounts receivable balances and DSO typically decrease in the first quarter of the fiscal year from seasonally higher levels in the third and fourth quarters of the fiscal year.

Our results are also impacted by the fluctuations in the price of raw materials and other input costs. Cotton and polyester fibres are the primary raw materials used in the manufacture of our products, and we also use chemicals, dyestuffs and trims which we purchase from a variety of suppliers. Cotton prices, which

directly affect the cost of the cotton fibres we purchase, are affected by weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries and other factors that are generally unpredictable. While we enter into contracts in advance of delivery to establish firm prices for cotton and cotton yarn, our realized cotton costs can fluctuate significantly between interim and annual reporting periods. Our results of operations are also affected by fluctuations in crude oil and petroleum prices, which can also influence transportation costs and the cost of related items used in our business, such as polyester fibres, chemicals, dyestuffs and trims.

Management decisions to consolidate or reorganize operations, including the closure of facilities, may also result in significant restructuring and other charges in an interim or annual period. In addition, the effect of asset writedowns, including provisions for bad debts and slow moving inventories, can affect the variability of our results.

During the fourth quarter of fiscal 2008 we recorded a one-time income tax charge of \$26.9 million, or \$0.22 per share, related to the settlement of the Canada Revenue Agency (CRA) audit.

Net Sales

Net sales in the second quarter of fiscal 2010 totaled \$326.8 million, up 33.5% from \$244.8 million in the second quarter of last year. Sales of activewear and underwear were \$273.2 million, up 51.0% from \$180.9 million last year, and sales of socks were \$53.6 million, down 16.3% compared to sales of \$64.0 million last year.

The increase in sales of activewear and underwear in the second quarter compared to the same period last year was due to an increase of 42.1% in activewear and underwear unit sales volumes and a more favourable activewear product-mix. Net selling prices for activewear were essentially flat compared to the second quarter of fiscal 2009 as significantly lower promotional discounting compared to last year more than offset the gross selling price decrease initiated by Gildan early in the first quarter of fiscal 2010.

The significant increase in unit sales volumes of activewear and underwear in the second quarter of fiscal 2010 compared to the same period last year was due to our continuing market share penetration in all product categories in the U.S. distributor channel, the non-recurrence of distributor destocking which occurred in the second quarter of fiscal 2009, growth of 3.4% in overall industry shipments from U.S. distributors to U.S. screenprinters, increased penetration in international and other screenprint markets, as well as increased shipments of underwear and activewear to retail customers. The more favourable activewear product-mix in the second quarter of fiscal 2010 compared to the second quarter of the prior year was mainly due to a higher proportion of sales of high-valued fleece products and a lower proportion of sales of second-quality product.

Market growth and share data presented for the U.S. wholesale distributor channel is based on the S.T.A.R.S. report produced by ACNielsen Market Decisions. The table below summarizes the S.T.A.R.S. data for the three months ended March 31, 2010:

	Three months ended March 31, 2010 vs. 2009		Three months ended March 31, 2010 2009	
	Unit Growth		Market Share	
	Gildan	Industry	Gildan	
All products	16.2%	3.4%	64.4%	57.3%
T-shirts	16.2%	3.4%	65.2%	58.1%
Fleece	15.9%	4.5%	62.1%	56.0%
Sport shirts	18.0%	1.2%	43.9%	37.7%

The recovery in demand in the U.S. distributor channel resulted in a 3.4% increase in industry unit shipments from U.S. distributors to U.S. screenprinters during the three months ended March 31, 2010 compared to the same period last year. This was the first quarter of unit sales growth in the U.S. distributor channel after eight consecutive quarters of market declines. During the three months ended March 31, 2010, Gildan achieved significant market share gains in all of its product categories and increased its overall leading market share in the U.S. screenprint channel to 64.4%, compared to 57.3% in the same period last year.

Canadian sales totalled \$14.5 million in the second quarter and \$20.8 million in the six months ended April 4, 2010, reflecting year over year increases of 112% and 80%, respectively, due to stronger demand.

Net sales of \$24.6 million from our international markets in the second quarter and \$42.3 million for the first half of fiscal 2010 were up 66.5% and 72.9%, respectively, compared to the same periods of fiscal 2009. Higher international sales were due to strong unit sales volume increases in essentially all international markets which we currently serve.

The decline in sales of socks in the second quarter of fiscal 2010 compared to the second quarter of fiscal 2009 was mainly due to the timing of replenishment and the transition to new programs for mass-market retailers, which are expected to benefit sock shipments in the second half of fiscal 2010.

During the second quarter, we continued to obtain new retail programs, including the family fleece program at a major national discount retailer and activewear programs for three other retailers. In addition, we have secured additional shelf-space for existing programs at major national mass-market retailers as well as significant participation in Back-to-School programs for the fall of 2010.

Net sales for the six months ended April 4, 2010 amounted to \$547.2 million, up \$118.4 million, or 27.6%, from \$428.8 million in the same period last year. Sales of activewear and underwear were \$426.1 million, up \$129.4 million, or 43.6% from \$296.7 million last year, and sales of socks were \$121.1 million, down \$11.0 million, or 8.3%, from \$132.1 million in the first six months of fiscal 2009. The increase in activewear and underwear sales was due to higher market share and the non-recurrence of inventory destocking in the U.S. distributor channel, increased penetration of other target markets, and more favourable activewear product-mix. These positive factors more than offset the impact of the lower shipments of socks and slightly lower net selling prices for activewear.

Gross Profit

Gross profit for the second quarter of fiscal 2010 was \$90.7 million or 27.8% of net sales, compared to \$38.7 million or 15.8% of net sales in the second quarter of fiscal 2009. For the first six months of fiscal 2010, gross profit was \$156.5 million, or 28.6% of net sales, up from \$77.6 million, or 18.1% of net sales in the same period last year. The increase in gross margins in the quarter and for the first half of fiscal 2010 compared with the same periods last year was due to gains in manufacturing efficiencies, lower cotton and energy costs and more favourable activewear product-mix, partially offset by the impact of inefficiencies due to the Haiti earthquake in the second quarter of fiscal 2010. In addition, gross margins for the first half of fiscal 2010 were impacted by slightly lower net selling prices for activewear compared with the same period last year.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses in the second quarter of fiscal 2010 were \$38.7 million, or 11.8% of net sales compared to \$30.9 million, or 12.6% of net sales in the second quarter of fiscal 2009. For the first six months of fiscal 2010, SG&A expenses were \$72.7 million, or 13.3% of net sales, compared to \$64.4 million, or 15.0% of net sales in the same period last year. The increase in SG&A expenses in the second quarter and for the first six months of fiscal 2010 was primarily due to the impact of the higher-valued Canadian dollar on corporate administrative expenses, and higher performance-driven variable compensation expenses. For the first six months of fiscal 2010, the increase

in SG&A expenses was partially offset by the non-recurrence of provisions for doubtful receivable accounts recorded in the first quarter of fiscal 2009 as well as lower legal and professional fees.

Restructuring and Other Charges

<i>(in \$ millions)</i>	Three months ended		Six months ended	
	April 4, 2010	April 5, 2009	April 4, 2010	April 5, 2009
Gain on disposal of assets held for sale	(0.2)	(0.6)	(0.4)	(0.6)
Accelerated depreciation	0.8	-	1.9	-
Asset impairment loss and write-down of assets held for sale	0.6	0.6	0.6	0.6
Employee termination costs and other benefits	-	0.1	0.3	0.5
Carrying and dismantling costs associated with assets held for sale	0.3	-	0.7	0.6
	1.5	0.1	3.1	1.1

During the first quarter of fiscal 2010, the Company announced plans to consolidate its existing distribution centres servicing retail customers at a new retail distribution centre in Charleston, South Carolina, which will result in the closure of its existing retail distribution facilities in Martinsville, Virginia and Fort Payne, Alabama during the second half of fiscal 2010. The costs incurred in connection with this initiative have been recorded as restructuring and other charges, including accelerated depreciation resulting from a change in estimate for the remaining economic lives of certain distribution long-lived assets at the beginning of fiscal 2010. The Company has also recorded restructuring charges in fiscal 2010 and 2009 relating to manufacturing facilities that were closed in fiscal 2009 and in previous years.

For the first half of fiscal 2010, restructuring and other charges totalled \$3.1 million, mainly relating to the consolidation of retail distribution facilities, including \$1.9 million of accelerated depreciation, \$0.3 million of employee termination costs, and an asset impairment loss of \$0.6 million. The Company expects to incur an additional \$4.0 million of restructuring costs during the remainder of the year in relation to the consolidation of the Company's distribution facilities, including accelerated depreciation, lease termination costs, inventory transfer costs, and carrying and dismantling costs. Restructuring charges of \$1.1 million in the first half of fiscal 2009 include \$1.7 million of severance, other exit costs and an asset impairment loss, less a gain of \$0.6 million recognized on the disposal of assets relating to closures which occurred in previous fiscal years.

The Company expects to incur additional carrying costs relating to closed facilities, which will be accounted for as restructuring charges as incurred and until all property, plant and equipment related to the closures are disposed of. Any gains or losses on the disposal of the assets held for sale will also be accounted for as restructuring charges as incurred.

Financial Expense / Income, net

Net financial expense amounted to \$0.1 million in the second quarter and \$0.9 million in the first six months of fiscal 2010, compared to nil and \$0.2 million, respectively in the same periods last year. The slight increase in both periods compared to the same periods last year was mainly due to lower foreign exchange gains and slightly higher bank charges, partially offset by a decline in interest expense. In fiscal 2009, financial income and expense included gains and losses on forward foreign exchange contracts, since the Company was not using hedge accounting for its forward foreign exchange contracts prior to the beginning of fiscal 2010.

Income Taxes

Income tax expense for the second quarter and the first six months of fiscal 2010 were \$1.3 million and \$2.5 million, respectively, compared to an income tax expense of \$0.4 million and \$0.8 million in the second quarter and the first six months of fiscal 2009. Excluding the impact of restructuring and other

charges in both years, the effective income tax rate in the second quarter and the first six months of fiscal 2010 was 3.5% and 4.1%, respectively, compared to an effective income tax rate of 5.6% in the second quarter and 5.8% for the first six months of last year. The year over year decline in the effective income tax rate for both periods was mainly due to a higher proportion of profits earned in lower tax jurisdictions.

Net Earnings

Net earnings for the second quarter of fiscal 2010 were \$48.8 million, or \$0.40 per share on a diluted basis, up significantly compared with net earnings of \$7.1 million, or \$0.06 per share on a diluted basis in the second quarter of fiscal 2009. Net earnings included the impact of after-tax restructuring and other charges of \$1.0 million, or \$0.01 per diluted share in the second quarter and \$2.2 million, or \$0.02 per diluted share for the first six months of fiscal 2010. Restructuring costs for the same respective periods last year were \$0.1 million in the second quarter and \$1.1 million, or \$0.01 per diluted share on a year-to-date basis. Excluding the impact of restructuring and other charges in both years, adjusted net earnings and adjusted diluted EPS for the second quarter of fiscal 2010 totaled \$49.8 million and \$0.41 per share, significantly exceeding adjusted net earnings in the second quarter of fiscal 2009. The increase was mainly due to strong growth in activewear and underwear unit sales volumes, more favourable manufacturing, cotton and energy costs, and a more favourable activewear product mix, partially offset by a \$0.03 per share impact of transitional manufacturing inefficiencies due to the Haiti earthquake, and higher SG&A expenses.

Results for the second quarter were significantly ahead of the assumptions in the Company's full year outlook provided on February 9, 2010, as more favourable than projected net selling prices, unit sales volumes and product-mix in the U.S. wholesale distributor channel more than offset higher than projected SG&A expenses and the later timing of shipments of socks, which is expected to benefit the second half of the fiscal year.

Net earnings for the first six months of fiscal 2010 were \$76.7 million, or \$0.63 per share on a diluted basis, compared with net earnings of \$11.4 million, or \$0.09 per share on a diluted basis, for the same period last year. Net earnings before restructuring and other charges were \$78.9 million or \$0.65 per share, compared with adjusted net earnings of \$12.5 million or \$0.10 per share in the first six months of fiscal 2009. The significant growth in net earnings and earnings per share was mainly due to lower manufacturing, cotton and energy costs, higher unit sales volumes for activewear and underwear, and more favourable product-mix compared to the same period last year, partially offset by higher SG&A expenses and slightly lower average net selling prices for activewear.

FINANCIAL CONDITION

Trade accounts receivable of \$151.9 million as at April 4, 2010 declined by \$7.7 million compared to trade accounts receivable of \$159.6 million at the end of fiscal 2009 and by \$6.4 million compared to \$158.3 million at the end of the second quarter of fiscal 2009. The decrease in trade accounts receivable from the end of fiscal 2009 reflected a decline in the number of days' sales outstanding (DSO), partially offset by the impact of higher sales in the second quarter of fiscal 2010 compared with the fourth quarter of last year. The decrease in DSO during the first half of fiscal 2010 is consistent with prior years due to collections in the first quarter from seasonal programs shipped in the third and fourth quarters with extended payment terms. The decrease in trade accounts receivable compared to the second quarter of fiscal 2009 occurred in spite of a 33.5% increase in sales compared to the second quarter of fiscal 2009, due to a sharp decrease in DSO resulting from improved collections and the impact in the second quarter of fiscal 2009 of certain T-shirt shipments having been invoiced with extended payment terms.

Inventories of \$339.5 million were up \$37.6 million, or 12.5% from \$301.9 million at the end of fiscal 2009 and down \$40.4 million or 10.6%, compared to the second quarter of fiscal 2009. The overall increase in inventories from the end of fiscal 2009 was due primarily to higher average unit costs resulting from rising cotton and energy costs, and an increase in work in process, partially offset by a decrease in activewear and sock finished goods inventory levels. Activewear inventory levels typically increase in the first half of

the fiscal year as we build inventories for our peak selling periods in the third and fourth quarters of the fiscal year. However, during the second quarter of fiscal 2010, our T-shirt inventory levels decreased and are now at lower than optimal levels as we enter the peak selling season, due to stronger than expected demand for activewear products in the second quarter of this year and the temporary disruption of our T-shirt sewing production caused by the Haiti earthquake in January 2010. The decrease in inventories from the second quarter of fiscal 2009 was primarily attributable to the decrease in finished goods inventory levels, partially offset by the higher work in process inventories, as noted above, and lower average sock unit costs resulting from a higher proportion of socks being produced at our Honduras sock facility.

Property, plant and equipment, which are net of accumulated depreciation, including asset impairment losses, amounted to \$464.5 million at April 4, 2010, compared to \$414.5 million at October 4, 2009. The increase of \$50.0 million primarily reflected capital additions of approximately \$70.0 million, the inclusion of an estimated \$12.2 million of property, plant and equipment from the acquisition of Shahriyar, offset by depreciation of \$32 million. Capital additions consisted primarily of the acquisition of a distribution centre in Charleston, South Carolina, the acquisition of our new office building in Barbados as well as expenditures related to our capacity expansion projects in Honduras, and our biomass energy project in the Dominican Republic.

Assets held for sale of \$3.2 million as at April 4, 2010 (October 4, 2009 - \$6.5 million) include property, plant and equipment relating to closed facilities. The decrease in assets held for sale is due mainly to the sale of facilities relating to previously announced closures.

Intangible assets amounted to \$55.2 million as at April 4, 2010 compared to \$56.8 million at the end of fiscal 2009. The decrease is related to the amortization of intangible assets for fiscal 2010.

Goodwill of \$10.0 million as at April 4, 2010 increased by \$3.3 million since October 4, 2009 due to the acquisition of Shahriyar.

Total assets were \$1,178.8 million as at April 4, 2010, compared to \$1,082.4 million at the end of the previous year. Working capital was \$470.4 million as at April 4, 2010 compared to \$441.0 million as at October 4, 2009. The current ratio at the end of the second quarter of fiscal 2010 was 4.1 compared to 4.2 at the end of fiscal 2009.

Accounts payable and accrued liabilities amounted to \$153.5 million at April 4, 2010, compared to \$124.4 million at the end of fiscal 2009. The increase of \$29.1 million was due primarily to higher cotton and energy costs and higher raw materials and work in process inventory levels as at April 4, 2010.

At the end of the second quarter of fiscal 2010, we had income taxes receivable of \$1.1 million. This compared to income taxes payable of \$11.8 million at October 4, 2009. The decrease in income taxes payable was mainly due to payments made in the first quarter of fiscal 2010 of \$13.4 million for the provincial component of the income tax settlement with the CRA as announced in December 2008 and as described under the heading "Income Taxes" in the 2009 Annual MD&A. This payment had been fully provided for in the fourth quarter of fiscal 2008.

CASH FLOWS

Cash flows from operating activities in the second quarter of fiscal 2010 were \$30.4 million compared to cash outflows of \$49.4 million for the second quarter of last year. The increase in cash flow was primarily due to an increase in operating earnings, and a significant increase in accounts payable and accrued liabilities during the second quarter of fiscal 2010. For the first six months of fiscal 2010, cash flows from operating activities were \$104.3 million compared to cash outflows of \$33.5 million in the same period last year, primarily due to higher operating earnings, lower seasonal increases in inventories, lower income tax payments, and the significant increase in accounts payable and accrued liabilities, partially offset by a lower decrease in trade accounts receivable due to higher sales in the first half of fiscal 2010.

Cash flows used in investing activities were \$52.0 million and \$83.3 million in the second quarter and first six months of fiscal 2010, respectively, compared to \$11.5 million and \$23.6 million in the second quarter and first six months of fiscal 2009, respectively. The increase in cash flows used in investing activities was primarily due to higher capital expenditures including expenditures related to our capacity expansion projects in Honduras, the acquisition of the new office building in Barbados and the acquisition of Shahriyar during the second quarter of fiscal 2010, and the acquisition of a distribution centre in Charleston, South Carolina in the first quarter of fiscal 2010.

Negative free cash flow for the three months ended April 4, 2010 amounted to \$6.3 million compared to negative free cash flow of \$62.0 million for the same period in fiscal 2009. Free cash flow is comprised of cash flows from operating activities, including net changes in non-cash working capital balances, after deducting cash flows used in investing activities, excluding business acquisitions. The increase in free cash flow of \$55.7 million was attributable to higher cash flows from operating activities partially offset by higher capital spending compared to last year. Free cash flow of \$36.3 million for the first six months of fiscal 2010 compared to negative free cash flow of \$59.1 million for the same period in fiscal 2009 resulted mainly from significantly higher cash flows from operating activities partially offset by higher capital spending compared to last year.

Cash flows used in financing activities in the second quarter of fiscal 2010 amounted to \$0.6 million compared to cash inflows of \$70.4 million in the second quarter of fiscal 2009. For the first six months of fiscal 2010, cash flows used in financing activities amounted to \$1.6 million compared to cash inflows of \$68.9 million in the same period last year. During the first half of fiscal 2009, the Company had increased its borrowings under its credit facility by \$71 million, which was subsequently repaid in the second half of fiscal 2009. The Company has not used its credit facility during fiscal 2010.

LIQUIDITY AND CAPITAL RESOURCES

In recent years, we have funded our operations and capital requirements with cash generated from operations. A revolving credit facility has been periodically utilized to finance seasonal peak working capital requirements and business acquisitions. Our primary uses of funds on an ongoing basis are for capital expenditures for new manufacturing facilities and incremental expansions, working capital requirements, and business acquisitions.

We have a committed revolving long-term credit facility of up to \$400 million, on an unsecured basis, which matures in June 2013. Total indebtedness as at April 4, 2010 amounted to \$0.7 million compared to \$4.4 million at the end of fiscal 2009 and \$121.5 million at April 5, 2009. Total indebtedness is comprised of bank indebtedness and long-term debt (including the current portion) as described under the section entitled "Definition and Reconciliation of Non-GAAP Measures" in this MD&A. At April 4, 2010, there were no amounts drawn on our revolving long-term credit facility. An amount of \$3.8 million has been committed against this facility to cover various letters of credits.

We ended the second quarter of fiscal 2010 with cash in excess of total indebtedness of \$118.4 million, including \$119.1 million of cash and cash equivalents, compared to cash in excess of total indebtedness of \$95.3 million, and cash and cash equivalents of \$99.7 million at the end of fiscal 2009. Cash in excess of total indebtedness is calculated as cash and cash equivalents net of total indebtedness as described under the section entitled "Definition and Reconciliation of Non-GAAP Measures" in this MD&A. During fiscal 2010, the Company intends to conduct an evaluation of opportunities for the deployment of our cash balances not required to finance our organic growth, in order to maximize returns to shareholders.

Capital expenditures for fiscal 2010 are now projected at approximately \$155 million, compared to our previous projection of \$145 million in February 2010. The projected capital expenditures for fiscal 2010 include the acquisition of the new distribution centre and office building in Charleston, South Carolina which was completed in November 2009, expenditures for the Rio Nance 4 sock facility, further textile and

sewing capacity expansion, as well as energy cost reduction projects and the purchase of our new office building in Barbados which was completed during the second quarter of fiscal 2010. The increase in projected capital expenditures for fiscal 2010 from our previous projection of \$145 million is due to our decision to undertake a major expansion of the Eden, North Carolina distribution centre, to service demand in the U.S. distributor channel and further reduce distribution costs. The approximately \$20 million project will begin in 2010 and be completed in fiscal 2011. In addition, we are making additional investments to increase the planned production capacity of the new Rio Nance 4 sock facility in order to support projected growth in demand. The Company is currently proceeding with the previously announced incremental expansion of existing textile facilities in the Dominican Republic and Honduras, as well as beginning construction of the new Rio Nance 5 facility. We are also significantly further expanding sewing capacity, in line with the expansion of textile capacity and to support projected growth in sales demand for activewear and underwear.

We believe that our cash flow from operating activities together with our accumulated cash balances and our credit facility will provide us with sufficient liquidity and capital resources in fiscal 2010 to fund our anticipated working capital, capital expenditure requirements, as well as any acquisition opportunities that the Company may decide to pursue.

The Company, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. We do not currently pay a dividend. However, the Company's Board of Directors periodically evaluates the merits of introducing a dividend.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

All commitments have been reflected in our balance sheets except for operating leases and other purchase obligations, which are included in the table of contractual obligations that follows. As disclosed in Note 7 to our unaudited interim Consolidated Financial Statements, we have granted corporate guarantees, irrevocable standby letters of credit and surety bonds to third parties to indemnify them in the event the Company and some of their subsidiaries do not perform their contractual obligations. As at April 4, 2010, the maximum potential liability under these guarantees was \$12.7 million, of which \$5.0 million was for surety bonds and \$7.7 million was for corporate guarantees and standby letters of credit.

In the normal course of business, we enter into contractual obligations that will require us to disburse cash over future periods. The following table sets forth our contractual obligations by period, excluding interest on long-term debt, for the following items as at April 4, 2010:

<i>(in \$ millions)</i>	Total	Less than 1 fiscal year	1 to 3 fiscal years	4 to 5 fiscal years	More than 5 fiscal years
Long-term debt	0.7	0.7	-	-	-
Operating leases	46.5	4.1	17.8	8.4	16.2
Purchase obligations	141.9	113.1	28.8	-	-
Total Contractual Obligations	189.1	117.9	46.6	8.4	16.2

We expect that cash flows from our operating earnings, accumulated cash balances and our unutilized bank facility will be sufficient to meet our obligations for the foreseeable future.

DERIVATIVE INSTRUMENTS

The Company may periodically use derivative financial instruments to manage risks related to fluctuations in exchange rates, commodity prices and interest rates. Derivative financial instruments are not used for speculative purposes. During the first half of fiscal 2010, the Company entered into forward foreign

exchange contracts in order to minimize the exposure of forecasted cash inflows in currencies other than the U.S. dollar, and fuel oil forward contracts in order to reduce the exposure of forecasted cash outflows related to some of its energy consumption needs. These derivative financial instruments were designated as cash flow hedges and qualified for hedge accounting. Please refer to Note 12 to the unaudited interim Consolidated Financial Statements for a description of the maturities, carrying and fair values of the derivative financial instruments outstanding as at April 4, 2010.

OUTSTANDING SHARE DATA

Our common shares are listed on the New York Stock Exchange and the Toronto Stock Exchange under the trading symbol GIL. As at April 30, 2010 there were 121,201,682 common shares issued and outstanding along with 1,322,772 stock options and 871,714 dilutive restricted share units (Treasury RSUs) outstanding. Each stock option entitles the holder to purchase one common share at the end of the vesting period at a pre-determined option price. Each Treasury RSU entitles the holder to receive one common share from treasury at the end of the vesting period, without any monetary consideration being paid to the Company. However, at least 50% of Treasury RSU grants are subject to the attainment of performance objectives set by the Board of Directors.

Review of Historical Stock Option Grants

An internal review of all stock option grants made by the Company since its initial public offering in 1998 to the present was conducted by a special committee of independent directors of the Board. As a result of this review, the Company determined that certain stock options granted to employees, officers and directors during fiscal years 1999 to 2003 had been awarded at prices which were inconsistent with the terms of the Company's Long-Term Incentive Plan (LTIP) in effect at the time, as well as with certain requirements of the Toronto Stock Exchange. The special committee of the Board concluded that there had been no intention of wrongdoing on the part of any current or former director or senior officer in the granting of stock options during the aforesaid period. However, current directors and senior executive officers who inadvertently benefitted from more favourable pricing of stock options have voluntarily reimbursed the Company for any excess gains and have agreed to the repricing of unexercised options. In addition, the Company has pursued all reasonable avenues for recoveries from other parties. The steps taken by the Company resulted in: (i) the Company increasing the exercise price of 261,440 unexercised vested stock options during the second quarter, resulting in a \$0.2 million increase in the aggregate exercise value of the unexercised stock options, or representing an increase to the weighted average exercise price for these stock options of \$0.77 (from \$6.18 to \$6.95), and also resulting in an increase of \$0.10 to the weighted average exercise price of all options outstanding as at April 4, 2010 (from \$18.76 to \$18.86), and; (ii) the Company recovering \$2.2 million in cash, including \$1.1 million from current senior officers during the second quarter relating to stock options that were previously exercised, and \$1.1 million from other parties during the first quarter. Amounts recovered in cash from current senior officers have been recorded as a credit to contributed surplus. No adjustment is required to prior year financial statements under either Canadian or U.S. GAAP.

LEGAL PROCEEDINGS

SECURITIES CLASS ACTIONS

The Company and certain of its senior officers have been named as defendants in a number of proposed class action lawsuits filed in the United States District Court for the Southern District of New York. A proposed class action has also been filed in the Ontario Superior Court of Justice and a petition for authorization to commence a class action has been filed in the Quebec Superior Court. Each of these U.S. and Canadian lawsuits, which have yet to be certified as a class action by the respective courts at this stage, seek to represent a class comprised of persons who acquired the Company's common shares between August 2, 2007 and April 29, 2008 and allege, among other things, that the defendants

misrepresented the Company's financial condition and its financial prospects in its financial guidance concerning the 2008 fiscal year, which was subsequently revised on April 29, 2008.

The U.S. lawsuits have been consolidated, and a consolidated amended complaint was filed alleging claims under the U.S. securities laws. On July 1, 2009, the District Court granted the motion by Gildan and other defendants to dismiss the U.S. action in its entirety, holding that the consolidated amended complaint failed to adequately allege the essential elements of a claim under the applicable provisions of the U.S. securities laws, including the existence of a material misstatement and fraudulent intent. On July 17, 2009, plaintiffs filed a motion seeking reconsideration of this decision only insofar as it declined to grant plaintiffs an opportunity to file a second amended complaint. On July 31, 2009, the Company and the other defendants filed a response to plaintiffs' motion seeking reconsideration. On December 4, 2009, the plaintiffs' motion seeking reconsideration was denied. The Plaintiff's have appealed the decisions on the motion for reconsideration and the motion to dismiss, but no date has been set yet for the appeal.

In addition to pursuing common law claims, the Ontario action proposes to seek leave from the Ontario court to also bring statutory misrepresentation civil liability claims under Ontario's Securities Act. A motion, along with affidavit evidence, for leave to pursue such statutory liability claims and class certification have been filed by the plaintiff. No date has been set yet for the hearing of that motion. In the Quebec action, a motion requesting permission to amend the petition was filed on April 6, 2010, to align the allegations in said petition with those pleaded in the Ontario action. A case management judge has been appointed but no date has been set yet for the case conference.

The Company strongly contests the basis upon which these actions are predicated and intends to vigorously defend its position. However, due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of these lawsuits or determine the amount of any potential losses, if any. No provision for contingent loss has been recorded in the interim Consolidated Financial Statements.

OUTLOOK

A discussion of management's expectations as to our outlook for fiscal 2010 is contained in our second quarter earnings results press release dated May 13, 2010 under the section entitled "Outlook". The press release is available on the SEDAR website at www.sedar.com, on the EDGAR website at www.sec.gov and on our website at www.gildan.com.

FINANCIAL RISK MANAGEMENT

This section of the MD&A provides selected disclosures relating to the nature and extent of the Company's exposure to credit risk and foreign currency risk, and how the Company manages those risks. The disclosures under this section, in conjunction with the information in Note 12 to the unaudited interim Consolidated Financial Statements (Financial Instruments), have been presented only to provide a summary of the nature and extent of the Company's exposures to certain risks arising from financial instruments. Please refer to the "Financial Risk Management" Section of the 2009 Annual MD&A and Note 19 to the audited Consolidated Financial Statements for the year ended October 4, 2009 for complete disclosure of the Company's exposure to risks arising from financial instruments in accordance with the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, *Financial Instruments-Disclosure*.

CREDIT RISK

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's trade receivables. The Company may also have credit risk relating to cash and cash equivalents, forward foreign exchange contracts, forward fuel oil contracts and interest rate swaps, which it manages by dealing only with highly-rated North American and European financial institutions. Our trade receivables and credit exposure fluctuate

throughout the year based on the seasonality of our sales and other factors. The Company's average trade receivables and credit exposure during an interim reporting period may be significantly higher than the balance at the end of that reporting period.

The Company's credit risk for trade receivables is concentrated, as the majority of its sales are to a relatively small group of wholesale distributors and mass-market retailers. As at April 4, 2010, the Company's ten largest trade debtors accounted for 65% of trade accounts receivable, of which one wholesale customer accounted for 19% and one mass-retailer accounted for 16%. Of the Company's top ten trade debtors, eight are wholesale distributors, two are mass-retailers and eight are located in the United States. The remaining trade receivable balances are dispersed among a larger number of debtors across many geographic areas including the United States, Canada, Europe, Mexico and Australia.

The Company's exposure to credit risk for trade receivables by geographic area and type of customer was as follows:

<i>(in \$ millions)</i>	April 4, 2010	October 4, 2009
United States	121.2	135.4
Europe	16.7	12.2
Canada	6.9	7.5
Other regions	7.1	4.5
Total trade receivables	151.9	159.6

<i>(in \$ millions)</i>	April 4, 2010	October 4, 2009
Distributors and screenprinters	116.1	127.7
Mass-market and regional retailers	35.8	31.9
Total trade receivables	151.9	159.6

The aging of trade receivable balances was as follows as at:

<i>(in \$ millions)</i>	April 4, 2010	October 4, 2009
Not past due	133.2	144.5
Past due 0-30 days	20.4	14.9
Past due 31-60 days	2.7	3.5
Past due 61-120 days	1.3	1.2
Past due over 121 days	0.4	1.5
Trade receivables	158.0	165.6
Less allowance for doubtful accounts	(6.1)	(6.0)
Total trade receivables	151.9	159.6

The movement in the allowance for doubtful accounts in respect of trade receivables was as follows:

<i>(in \$ millions)</i>	Three months ended April 4, 2010	Six months ended April 4, 2010	Twelve months ended October 4, 2009
Balance, beginning of period	5.9	6.0	2.8
Bad debt expense	0.3	0.4	6.0
Write-off of accounts receivable	(0.1)	(0.3)	(2.8)
Balance, end of period	6.1	6.1	6.0

FOREIGN CURRENCY RISK

The majority of the Company's cash flows and financial assets and liabilities are denominated in U.S. dollars, which is the Company's functional and reporting currency. Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than U.S. dollars, primarily for sales and distribution expenses for customers outside of the United States and head office expenses in Canada. The Company's exposure relates primarily to changes in the U.S. dollar versus the Canadian dollar, the British pound, the Euro, the Australian dollar and the Mexican peso exchange rates. For the Company's foreign currency transactions, fluctuations in the respective exchange rates relative to the U.S. dollar will create volatility in the Company's cash flows and the reported amounts for sales and SG&A expenses in its consolidated statement of earnings, both on a period-to-period basis and compared with operating budgets and forecasts. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the U.S. dollar at the rates of exchange at each balance sheet date, the impact of which is reported as a foreign exchange gain or loss in the statement of earnings.

The Company also incurs a portion of its manufacturing costs in foreign currencies, primarily payroll costs paid in Honduran Lempiras. The Lempira to U.S. dollar exchange rate has not fluctuated significantly in recent years. However, should there be a change in the Lempira to U.S. dollar exchange rate in the future, such change may have an impact on our operating results.

During fiscal 2010, the Company entered into forward foreign exchange contracts in order to minimize the exposure of forecasted cash inflows in currencies other than the U.S. dollar. The Company had forward foreign exchange contracts outstanding as at April 4, 2010 consisting primarily of contracts to Australian dollars, Canadian dollars, and Mexican pesos in exchange for U.S. dollars. These outstanding contracts and other forward foreign exchange contracts that were settled during fiscal 2010 were designated as cash flow hedges and qualified for hedge accounting. We refer the reader to Note 10 and Note 12 to the unaudited interim Consolidated Financial Statements for details of these forward foreign exchange contracts and the impact of applying hedge accounting.

Please refer to the "Financial Risk Management" section of the Company's 2009 Annual MD&A for further details of the Company's significant foreign currency exposures.

CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are described in Note 1 to our 2009 audited annual Consolidated Financial Statements. The preparation of financial statements in conformity with Canadian GAAP requires estimates and assumptions that affect our results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. On an ongoing basis, management reviews its estimates and actual results could differ materially from those estimates. In addition, although our critical accounting estimates remain substantially unchanged from those that were disclosed in our 2009 Annual MD&A, there is a likelihood that these estimates may materially change, or new estimates may be required, given the current uncertain economic conditions.

Management believes that the following accounting estimates require assumptions to be made about matters that are highly uncertain:

- Allowance for Doubtful Accounts;
- Inventory Valuation;
- Sales Promotional Programs;
- Recoverability of Long-Lived Assets;
- Income Taxes; and
- Business Acquisitions

For a more detailed discussion of these estimates, readers should review the "Critical Accounting Estimates" section of the 2009 Annual MD&A.

ACCOUNTING POLICIES AND FUTURE ACCOUNTING STANDARDS

ACCOUNTING POLICIES

The Company applied the same accounting policies in the preparation of its interim Consolidated Financial Statements, as disclosed in Note 1 to its audited Consolidated Financial Statements for the year ended October 4, 2009.

FUTURE ACCOUNTING STANDARDS

In January 2009, the Canadian Accounting Standards Board (AcSB) issued CICA Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*. For a detailed description of the future accounting standards, please refer to Note 3 of the unaudited interim Consolidated Financial Statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the AcSB confirmed that IFRS, as issued by the International Accounting Standards Board (IASB), will replace Canadian GAAP for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. As a result, the changeover to IFRS will be required for our fiscal 2012 interim and annual financial statements beginning October 3, 2011 (the "changeover date") with comparative information presented for fiscal 2011.

IFRS 1, *First Time Adoption of International Financial Reporting Standards*, requires that first-time adopters select accounting policies that are in compliance with each IFRS effective at the end of a company's first annual IFRS reporting period (September 30, 2012 for Gildan), and apply those policies to all periods presented in their first IFRS financial statements including the comparative periods. Therefore, the starting point for our accounting in accordance with IFRS will be fiscal 2011, beginning on October 4, 2010 (the "transition date") although the interim and annual financial statements for fiscal 2011 will only be published in accordance with IFRS in fiscal 2012 as comparative information.

The following information is presented to comply with Canadian Securities Administrators Staff Notice 52-320, *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards*. This information is provided to allow investors and others to obtain a better understanding of our IFRS changeover plan and the possible effects on our operations. Readers are cautioned, however, that it may not be appropriate to use such information for any other purpose. This information reflects assumptions based on information available as at the date of this report, and circumstances may arise, such as changes in IFRS standards or economic conditions, which could change these assumptions as well as the progress of our IFRS changeover plan, and may cause the Company to

select different accounting policies and/or IFRS 1 exemptions than the preliminary conclusions reached to date. IFRS standards and interpretations are continuously subject to change, and we continuously review all developments issued by the IASB, the AcSB, and the Canadian Securities Administrators (CSA). We will assess the impact of any new developments on our IFRS transition plan and make any necessary changes accordingly.

Progress towards Completion of our IFRS Changeover Plan

In preparation for the changeover to IFRS, we have developed an IFRS transition plan consisting of three phases - 1) Scoping and Diagnostic Phase, 2) Detailed Impact Analysis and Design Phase, and 3) Implementation and Review Phase. We have completed the first phase, comprised of a scoping and diagnostic process, which involved a comparison of the Company's current accounting policies under Canadian GAAP with currently issued IFRS. The second phase of our IFRS changeover plan is now underway and is expected to be substantially complete by the end of fiscal 2010. The implementation and review phase is expected to begin in fiscal 2011 and will continue until our first complete annual financial reporting under IFRS is released at the end of fiscal 2012. We will continue to report on the status of the plan, significant findings, and provide more detailed information on preliminary conclusions reached as our IFRS changeover plan progresses. The key elements and status of our changeover plan are as follows:

Information technology and data systems

Systems and processes are currently in place to collect the information required under IFRS. Although new reports will likely be required to capture new information required for presentation and disclosure under IFRS, we currently do not expect the transition to IFRS to require significant changes to our information technology systems and reports. We also expect our systems to be reliable for purposes of generating the comparative fiscal 2011 information that needs to be provided in accordance with IFRS during fiscal 2012 (i.e. the first period of reporting completely under IFRS), as well as the information required in the opening balance sheet as at the transition date.

Internal controls over financial reporting

Internal control processes and procedures will be put into place in order to address the key accounting differences resulting from the changeover to IFRS. Internal controls applicable to our reporting process under Canadian GAAP are expected to be substantially the same as those required in our IFRS reporting environment.

Disclosure controls and procedures, including investor relations and external communications plans

Disclosure controls and procedures will be updated to include all data required for additional financial statement disclosures under IFRS. Our disclosure controls and procedures will also be updated as our changeover to IFRS continues to ensure that information is appropriately communicated in our external communications and other periodic published reports.

Financial expertise including training requirements

The project to transition to IFRS is being led by the Corporate Accounting group in Montreal. The Corporate Accounting group has the appropriate resources and skills to effectively complete the changeover to IFRS on a timely basis, and internal communication and education is being rolled out in phases throughout the Company as the key elements are addressed. Periodic meetings are held with management and the Audit and Finance Committee in order to keep them informed of the progress of our transition plan. External advisors are also being consulted on an as needed basis to review our transition work plan and business impact analysis, and advise us on issues as they arise.

Business contracts, including the impact on operating agreements and key performance indicators:

Business contracts which are affected by financial results such as financial covenants and long-term incentive plans are being reviewed to assess the impact from the changeover to IFRS. The changeover to IFRS is not expected to have a significant impact on our business contracts.

Accounting policies, including choices among policies permitted under IFRS:

We have made considerable progress in identifying accounting differences and accounting policy alternatives under IFRS as compared to Canadian GAAP, and the potential impact of such differences on the Company's accounting at the transition date (which will be recorded against retained earnings on the opening IFRS balance sheet) and on an ongoing basis. Based on the results of our detailed analysis to date, no material impacts are expected at the transition date, in part because Canadian accounting standards are substantially aligned with IFRS requirements for certain key areas. However, we have identified a number of areas where we expect there to be some impact on the recognition and measurement of certain balance sheet and statement of earnings items, including note disclosures. We are currently in the process of validating the results of our detailed impact analysis and therefore our conclusions are still preliminary at this stage. We expect to be in a position to disclose all our significant conclusions on the impact of accounting differences by the end of fiscal 2010.

The following are some of the significant differences between Canadian GAAP and IFRS that have been identified to date and which are currently being evaluated:

Investment in consolidated joint venture: Our consolidated financial statements currently include the accounts of our yarn spinning joint venture CanAm Yarns LLC ("CanAm"), as we are considered the primary beneficiary of this entity under Canadian GAAP, in part because we consume all of CanAm's production. Our partner's share of the net assets and net earnings of CanAm are reflected as a non-controlling interest adjustment in our consolidated balance sheet and statement of earnings. Under IFRS, CanAm is considered a jointly controlled entity and we are not deemed to exercise control. Consequently, we expect that we will no longer be permitted to consolidate CanAm, in which case we intend to account for this investment using the equity method. Under the equity method, which is effectively a "one-line consolidation method", our net investment in CanAm would be presented as a long-term asset on one line in our consolidated balance sheet, for an amount equal to our initial investment and our cumulative share of undistributed earnings. We would apply this change to the opening IFRS balance sheet, but no adjustment to opening retained earnings is expected, as the long-term asset to be reported would be the same as the amount of net assets and non-controlling interest that would be removed from our balance sheet. Post transition, net earnings are not expected to be affected by this change, but there would be non-material changes to the components of our net earnings, as our share of CanAm's net earnings would be presented in a separate caption in the statement of earnings, appearing below the gross profit subtotal.

Business combinations: There are a number of significant differences in accounting for business combinations between IFRS and Canadian GAAP. Two differences which are expected to be particularly relevant to the Company in reporting periods subsequent to the transition date are the accounting for transaction costs and restructuring costs. Under IFRS, these costs must be charged to earnings as incurred. Under Canadian GAAP, transaction costs and certain anticipated post-acquisition restructuring costs are included in the cost of the purchase (which usually results in such costs being added to goodwill). As noted below, we expect to use an optional exemption that will allow us to apply IFRS guidance only for business combinations that occur after the transition date, and accordingly we do not expect to record adjustments to the opening IFRS balance sheet for these accounting policy differences. For future business combinations, these differences could have a significant and possibly material impact on our financial position and results of operations, although the impact will depend on the scale and frequency of future business acquisition activity. We also note that during fiscal 2011, we expect to early adopt the new Canadian GAAP accounting standards for business combinations and consolidated financial statements and non-controlling interests (CICA Handbook Sections 1581, 1601 and 1602), which are substantially equivalent to the respective current standards under IFRS. By early adopting these standards, any

business combinations occurring in fiscal 2011 will not need to be restated when our fiscal 2011 financial statements are presented as comparative financial statements in accordance with IFRS in fiscal 2012.

Borrowing costs: Under IFRS, borrowing costs incurred during the period in which an asset is being constructed must be capitalized as part of the cost of the asset. Under the Company's current accounting policy, all borrowing costs are charged to earnings and included in Other Financial Expense and Income. As the Company has a history of constructing its manufacturing facilities, it is reasonable to expect that a portion of the Company's borrowing costs incurred in periods subsequent to the adoption of IFRS will be capitalized, although the amount of capitalized costs will depend on the scale of future construction activity and the level of interest-bearing indebtedness outstanding during the period of construction. As noted below, we expect to use an optional exemption that will allow us to capitalize borrowing costs only for assets for which the commencement date for capitalization is on or after the transition date. Accordingly, the Company does not expect to record an opening IFRS balance sheet adjustment for borrowing costs incurred prior to the transition date.

Income taxes: To date, we have identified one key difference in accounting for deferred income taxes (currently referred to as future income taxes under Canadian GAAP) that is expected to have a non-material impact on the Company's opening IFRS balance sheet and the Company's income tax provisions in fiscal 2012. Under Canadian GAAP, deferred income tax assets and liabilities are not recognized for temporary differences arising from assets transferred between entities within the consolidated group, although any income tax expense/recovery incurred by the selling entity is deferred on the balance sheet as a non-tax asset/liability. Under IFRS, the tax expense/recovery incurred by the selling entity is not deferred, but a deferred income tax asset/liability is recorded for the temporary difference resulting from the internal transfer (essentially the change in the tax basis), valued at the buying entity's tax rate. We currently expect that this difference will result in the recognition of a non-material deferred income tax asset at the transition date for the tax effect of temporary differences for certain inventories which have been transferred between group entities.

Other accounting areas of focus: We are currently completing our analysis and validating conclusions with respect to the impact of the following differences between IFRS and Canadian GAAP:

- Methodology for the recognition and measurement of impairment of long-lived assets, including the assessment of cash-generating units (CGUs);
- Classification of leases currently classified as operating leases under Canadian GAAP which may qualify as financing (capital) leases under IFRS;
- Assessment of separate depreciation periods for significant components of property, plant and equipment; and
- Financial statement presentation, including the captions and format of our balance sheets, statements of earnings and statements of cash flow.

Key accounting policies not expected to be significantly impacted: The Company also assessed other relevant standards, including but not limited to revenue recognition, inventories, and accounting for provisions, contingent liabilities and contingent assets, and expects that these standards are likely to have less significance for the Company's changeover to IFRS.

Financial statement note disclosure

Compared to Canadian GAAP, IFRS requires significant additional disclosures, primarily in the notes to the annual financial statements. There are also a number of special transitional disclosures that will be required during fiscal 2012. We have identified the key additional disclosure requirements and we are currently working on collecting the data and designing the reports required for the additional disclosure. We expect to be in a position to provide the required disclosures when we begin reporting in IFRS during fiscal 2012.

IFRS 1 Optional Exemptions

The general requirement of IFRS 1 is full retrospective application of all accounting standards effective at an entity's reporting date but recorded against retained earnings as of the transition date. IFRS 1 provides first-time adopters certain optional exemptions and mandatory exceptions from full retrospective application. The following table outlines the optional exemptions that the Company currently expects to use at the transition date:

Accounting Policy	Optional Exemption
Foreign exchange cumulative translation differences	The exemption permits the balance of any cumulative translation adjustment (CTA) to be eliminated by an adjustment to opening retained earnings at the transition date.
Business combinations	The exemption permits the Company not to apply IFRS 3, Business Combinations, to business combinations occurring prior to the transition date.
Share based payment transactions	The exemption permits the Company to apply IFRS 2, Share-based Payment, only to equity instruments that were granted after November 7, 2002 which have not yet vested at the transition date.
Borrowing costs	The exemption permits the capitalization of borrowing costs related to qualifying assets for which commencement date for capitalization is on or after the date of transition.

RELATED PARTY TRANSACTIONS

We have transactions with Frontier, which manages the operations of CanAm. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Total purchases of yarn from Frontier were \$31.6 million along with \$0.2 million relating to management fees for the three months ended April 4, 2010. As at April 4, 2010, we had an outstanding payable to Frontier of \$22.1 million.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management's annual evaluation and report on the effectiveness of internal control over financial reporting as of our most recent fiscal year ended October 4, 2009 was included in the 2009 Annual MD&A, and was based on the framework set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation under this framework, management concluded that our internal control over financial reporting was effective as of October 4, 2009. There have been no material changes in internal control over financial reporting since October 4, 2009.

RISKS AND UNCERTAINTIES

In our 2009 Annual MD&A under the sections "Financial Risk Management" and "Risks and Uncertainties" we provide a detailed review of risks that could affect our financial condition, results of operations or business, cash flows or the trading price of our common stock, as well as cause actual results to differ materially from our expectations expressed in or implied by our forward-looking statements. The risks listed below are not the only risks that could affect the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our financial condition, results of operations, cash flows or business. The risks described in our Annual MD&A, as updated in the first quarter and this MD&A, include risks associated with:

- Our ability to implement our strategies and plans
- Our ability to compete effectively
- Adverse changes in general economic conditions
- Our reliance on a small number of significant customers
- Our customers do not commit to purchase minimum quantities
- Our ability to anticipate evolving consumer preferences and trends
- Our production volume may differ from market demand
- Fluctuations and volatility in the price of raw materials used to manufacture our products
- Our dependence on key suppliers
- Climate, political, social and economic risks in the countries in which we operate
- Changes to international trade legislation
- Factors or circumstances that could increase our effective income tax rate, including changes to tax legislation and income tax treaties
- Compliance with environmental, health and safety regulations
- Our significant reliance on our information systems for our business operations
- Changes in our relationship with our employees or changes to domestic and foreign employment regulations
- Negative publicity as a result of violation in labour laws or unethical labour and other business practices
- Our dependence on key management and our ability to attract and/or retain key personnel
- Changes to and failure to comply with consumer product safety laws

UPDATES TO THE DESCRIPTION OF RISKS AND UNCERTAINTIES

The following are significant updates to the description of risks contained in the section entitled "Risks and Uncertainties" of our 2009 Annual MD&A, as subsequently updated in our first quarter 2010 interim MD&A.

Climate, political, social and economic risks in the countries in which we operate

As disclosed in our fiscal 2010 first quarter interim MD&A, the earthquake which struck Haiti on January 12, 2010 impacted Gildan's third-party contractor operations used to sew the majority of the fabric produced at our Dominican Republic textile facility. Gildan implemented temporary contingency plans to minimize the disruption of contractor production in Haiti by increasing capacity at its integrated sewing facilities in the Dominican Republic, Honduras and Nicaragua. Contractor operations in Haiti began to resume operations shortly after the earthquake and by the end of the second quarter of fiscal 2010, contractor operations had returned to production levels substantially similar to those prior to the impact of the earthquake. During the transition of our Haitian contractors' ramp-up of sewing production to pre-earthquake operating levels in the second quarter, we incurred short-term manufacturing and transportation inefficiencies. We also incurred a temporary loss of T-shirt production during this period, which combined with stronger than expected demand for the Company's products resulted in lower than optimal T-shirt inventories at the end of the second quarter. In the event that we do not have sufficient inventories to fully capitalize on demand during the peak T-shirt selling season in the second half of the

fiscal year, we expect that the impact of any lost sales opportunities would be largely covered by the Company's insurance policies, which also provides coverage for lost or damaged assets as well as additional expenses to mitigate losses. The maximum insurance recovery for this event is \$8.0 million, based on a specific policy sub-limit for events occurring in Haiti, and recoveries cannot be claimed before the applicable earthquake policy deductible has been exhausted, which is currently estimated at \$2.5 million. We expect that our insurance claim for this event will include amounts for lost assets and extra expenses of approximately \$3.0 million, which have been incurred and expensed during the second quarter, as well as amounts for the impact of any lost sales opportunities. However, there can be no assurance that all amounts to be claimed will be recovered from the insurance carrier or that the losses from this event will not exceed the policy sub-limit. The Company has not received any proceeds from its insurance carrier, and no insurance recoveries have been recorded in the financial statements. The Company will recognize insurance recoveries for this claim in its financial statements in the period when the recovery is probable and estimable.

DEFINITION AND RECONCILIATION OF NON-GAAP MEASURES

We use non-GAAP measures to assess our operating performance and financial condition. The terms and definitions of the non-GAAP measures used in this report and a reconciliation of each non-GAAP measure to the most directly comparable GAAP measure are provided below. The non-GAAP measures are presented on a consistent basis for all periods presented in this MD&A. These non-GAAP measures do not have any standardized meanings prescribed by Canadian GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

Adjusted Net Earnings and Adjusted Diluted EPS

To measure our performance from one period to the next, without the variations caused by the impacts of restructuring and other charges net of income tax recovery, management uses adjusted net earnings and adjusted diluted earnings per share, which are calculated as net earnings and diluted earnings per share excluding these items. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in our business performance. Excluding these items does not imply they are necessarily non-recurring.

<i>(in \$ millions, except per share amounts)</i>	Q2 2010	Q2 2009	YTD 2010	YTD 2009
Net sales	326.8	244.8	547.2	428.8
Cost of sales	236.1	206.1	390.7	351.2
Gross profit	90.7	38.7	156.5	77.6
Selling, general and administrative expenses	38.7	31.0	72.7	64.4
Restructuring and other charges	1.5	0.1	3.1	1.1
Operating income	50.5	7.6	80.7	12.1
Financial expense, net	0.1	-	0.9	0.2
Non-controlling interest in consolidated joint venture	0.3	0.1	0.6	(0.3)
Earnings before income taxes	50.1	7.5	79.2	12.2
Income taxes	1.3	0.4	2.5	0.8
Net earnings	48.8	7.1	76.7	11.4
Adjustments for:				
Restructuring and other charges	1.5	0.1	3.1	1.1
Income tax recovery on restructuring and other charges	(0.5)	-	(0.9)	-
Adjusted net earnings	49.8	7.2	78.9	12.5
Basic EPS	0.40	0.06	0.63	0.09
Diluted EPS	0.40	0.06	0.63	0.09
Adjusted diluted EPS	0.41	0.06	0.65	0.10

Certain minor rounding variances exist between the financial statements and this summary.

EBITDA

EBITDA is calculated as earnings before interest, taxes and depreciation and amortization and excludes the impact of restructuring and other charges as well as the non-controlling interest in the consolidated joint venture. We use EBITDA, among other measures, to assess the operating performance of our business. We also believe this measure is commonly used by investors and analysts to measure a company's ability to service debt and to meet other payment obligations, or as a common valuation measurement. We exclude depreciation and amortization expenses, which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost. Excluding these items does not imply they are necessarily non-recurring.

<i>(in \$ millions)</i>	Q2 2010	Q2 2009	YTD 2010	YTD 2009
Net earnings	48.8	7.1	76.7	11.4
Restructuring and other charges	1.5	0.1	3.1	1.1
Depreciation and amortization	15.8	16.2	31.8	32.1
Variation of depreciation included in inventories	3.5	(1.0)	0.9	(5.4)
Interest, net	-	0.4	-	1.4
Income taxes	1.3	0.4	2.5	0.8
Non-controlling interest in consolidated joint venture	0.3	0.1	0.6	(0.3)
EBITDA	71.2	23.3	115.6	41.1

Certain minor rounding variances exist between the financial statements and this summary.

Free Cash Flow

Free cash flow is defined as cash from operating activities including net changes in non-cash working capital balances, less cash flows used in investing activities excluding business acquisitions. We consider free cash flow to be an important indicator of the financial strength and performance of our business,

because it shows how much cash is available after capital expenditures to repay debt and to reinvest in our business. We believe this measure is commonly used by investors and analysts when valuing a business and its underlying assets.

<i>(in \$ millions)</i>	Q2 2010	Q2 2009	YTD 2010	YTD 2009
Cash flows from (used in) operating activities	30.4	(49.4)	104.3	(33.5)
Cash flows used in investing activities	(52.0)	(11.5)	(83.3)	(23.6)
Adjustments for:				
Business acquisition	15.3	-	15.3	-
Restricted cash reimbursed related to business acquisition	-	(1.1)	-	(2.0)
Free cash flow	(6.3)	(62.0)	36.3	(59.1)

Certain minor rounding variances exist between the financial statements and this summary.

Total Indebtedness and Cash in Excess of Total Indebtedness/Net Indebtedness

We consider total indebtedness and cash in excess of total indebtedness / (net indebtedness) to be important indicators of the financial leverage of the Company.

<i>(in \$ millions)</i>	Q2 2010	Q4 2009	Q2 2009
Current portion of long-term debt	(0.7)	(2.8)	(2.9)
Long-term debt	-	(1.6)	(118.6)
Total indebtedness	(0.7)	(4.4)	(121.5)
Cash and cash equivalents	119.1	99.7	24.0
Cash in excess of total indebtedness (Net indebtedness)	118.4	95.3	(97.5)

Certain minor rounding variances exist between the financial statements and this summary.

FORWARD-LOOKING STATEMENTS

Certain statements included in this MD&A constitute "forward-looking statements" within the meaning of the U.S. *Private Securities Litigation Reform Act of 1995* and Canadian securities legislation and regulations, and are subject to important risks, uncertainties and assumptions. This forward-looking information includes, amongst others, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions, including our expectations and intentions with regards to growth in the activewear and underwear, and sock categories, sales revenue, our private label activewear business and our presence in international screenprint markets, as well as cost reductions and efficiencies, gross margins and capital expenditures. Forward-looking statements generally can be identified by the use of conditional or forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "project", "assume", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. We refer you to the Company's filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission, as well as the "Risks and Uncertainties" section and the risks described under the section "Financial Risk Management" of the 2009 Annual MD&A, as subsequently updated in our first quarter 2010 interim MD&A and in this interim MD&A for a discussion of the various factors that may affect the Company's future results. Material factors and assumptions that were applied in drawing a conclusion or making a forecast or projection are also set out throughout this document.

Forward-looking information is inherently uncertain and the results or events predicted in such forward-looking information may differ materially from actual results or events. Material factors, which could cause actual results or events to differ materially from a conclusion, forecast or projection in such forward-looking information, include, but are not limited to:

- our ability to implement our growth strategies and plans, including achieving market share gains, implementing cost reduction initiatives and completing and successfully integrating acquisitions;
- the intensity of competitive activity and our ability to compete effectively;
- adverse changes in general economic and financial conditions globally or in one or more of the markets we serve;
- our reliance on a small number of significant customers;
- the fact that our customers do not commit contractually to minimum quantity purchases;
- our ability to anticipate changes in consumer preferences and trends;
- our ability to manage inventory levels effectively in relation to changes in customer demand;
- fluctuations and volatility in the price of raw materials used to manufacture our products, such as cotton and polyester fibres;
- our dependence on key suppliers and our ability to maintain an uninterrupted supply of raw materials;
- the impact of climate, political, social and economic risks in the countries in which we operate;
- disruption to manufacturing and distribution activities due to labour disruptions, political instability, bad weather, natural disasters and other unforeseen adverse events;
- changes to international trade legislation that the Company is currently relying on in conducting its manufacturing operations or the application of safeguards thereunder;
- factors or circumstances that could increase our effective income tax rate, including the outcome of any tax audits or changes to applicable tax laws or treaties;
- compliance with applicable environmental, tax, trade, employment, health and safety, and other laws and regulations in the jurisdictions in which we operate;
- our significant reliance on computerized information systems for our business operations;
- changes in our relationship with our employees or changes to domestic and foreign employment laws and regulations;
- negative publicity as a result of violation of labour laws or unethical labour or other business practices by the Company or one of its third-party contractors;

- our dependence on key management and our ability to attract and retain key personnel;
- changes to and failure to comply with consumer product safety laws and regulations;
- changes in accounting policies and estimates; and
- exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk.

These factors may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made, may have on the Company's business. For example, they do not include the effect of business dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made. The financial impact of such transactions and non-recurring and other special items can be complex and necessarily depends on the facts particular to each of them.

We believe that the expectations represented by our forward-looking statements are reasonable, yet there can be no assurance that such expectations will prove to be correct. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's fiscal 2010 financial performance and may not be appropriate for other purposes. Furthermore, unless otherwise stated, the forward-looking statements contained in this report are made as of the date hereof, and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise unless required by applicable legislation or regulation. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

May 12, 2010



Gildan Activewear Inc.
Interim Consolidated Balance Sheets
(in thousands of U.S. dollars)

	April 4, 2010	October 4, 2009	April 5, 2009
	(unaudited)	(audited)	(unaudited)
Current assets:			
Cash and cash equivalents	\$ 119,092	\$ 99,732	\$ 23,968
Trade accounts receivable	151,894	159,645	158,288
Income taxes receivable	1,063	-	-
Inventories (note 5)	339,467	301,867	379,915
Prepaid expenses and deposits	7,067	11,604	8,630
Other current assets	6,055	7,117	10,115
	<u>624,638</u>	<u>579,965</u>	<u>580,916</u>
Property, plant and equipment	464,472	414,538	429,752
Assets held for sale (note 8)	3,248	6,544	11,591
Intangible assets	55,158	56,757	58,355
Goodwill	10,035	6,709	6,709
Future income taxes	7,987	7,910	8,615
Other assets	13,243	9,985	13,085
Total assets	<u>\$ 1,178,781</u>	<u>\$ 1,082,408</u>	<u>\$ 1,109,023</u>
Current liabilities:			
Accounts payable and accrued liabilities	\$ 153,495	\$ 124,378	\$ 114,745
Income taxes payable	-	11,822	14,947
Current portion of long-term debt	698	2,803	2,898
	<u>154,193</u>	<u>139,003</u>	<u>132,590</u>
Long-term debt	-	1,584	118,585
Future income taxes	23,921	23,764	26,187
Non-controlling interest in consolidated joint venture	7,783	7,272	6,885
Contingencies (note 13)			
Shareholders' equity:			
Share capital	94,554	93,042	92,439
Contributed surplus	9,595	6,976	5,461
Retained earnings	861,261	784,519	700,628
Accumulated other comprehensive income	27,474	26,248	26,248
	<u>888,735</u>	<u>810,767</u>	<u>726,876</u>
	<u>992,884</u>	<u>910,785</u>	<u>824,776</u>
Total liabilities and shareholders' equity	<u>\$ 1,178,781</u>	<u>\$ 1,082,408</u>	<u>\$ 1,109,023</u>

See accompanying notes to interim consolidated financial statements.



Gildan Activewear Inc.
Interim Consolidated Statements of Earnings and Comprehensive Income
(In thousands of U.S. dollars, except per share data)

	Three months ended		Six months ended	
	April 4, 2010	April 5, 2009	April 4, 2010	April 5, 2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net sales	\$ 326,789	\$ 244,807	\$ 547,204	\$ 428,802
Cost of sales	236,071	206,070	390,748	351,175
Gross profit	90,718	38,737	156,456	77,627
Selling, general and administrative expenses	38,703	30,942	72,702	64,421
Restructuring and other charges (note 8)	1,524	143	3,110	1,068
Operating income	50,491	7,652	80,644	12,138
Financial expense, net (note 12)	75	21	922	210
Non-controlling interest in consolidated joint venture	348	112	511	(277)
Earnings before income taxes	50,068	7,519	79,211	12,205
Income taxes	1,303	430	2,469	767
Net earnings	48,765	7,089	76,742	11,438
Other comprehensive income, net of related income taxes (note 10)	(581)	-	1,226	-
Comprehensive income	\$ 48,184	\$ 7,089	\$ 77,968	\$ 11,438
Earnings per share:				
Basic EPS (note 9)	\$ 0.40	\$ 0.06	\$ 0.63	\$ 0.09
Diluted EPS (note 9)	\$ 0.40	\$ 0.06	\$ 0.63	\$ 0.09

See accompanying notes to interim consolidated financial statements.



Gildan Activewear Inc.
Interim Consolidated Statements of Shareholders' Equity
Six months ended April 4, 2010 and April 5, 2009
(in thousands or thousands of U.S. dollars)

	Share capital		Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity
	Number	Amount				
Balance, October 4, 2009	120,963	\$ 93,042	\$ 6,976	\$ 26,248	\$ 784,519	\$ 910,785
Stock-based compensation related to stock options and Treasury restricted share units	-	-	2,040	-	-	2,040
Recovery related to repricing of stock options previously exercised (note 6)	-	-	1,159	-	-	1,159
Shares issued under employee share purchase plan	15	314	-	-	-	314
Shares issued pursuant to exercise of stock options	96	618	-	-	-	618
Shares issued pursuant to vesting of Treasury restricted share units	57	580	(580)	-	-	-
Other comprehensive income (note 10)	-	-	-	1,226	-	1,226
Net earnings	-	-	-	-	76,742	76,742
Balance, April 4, 2010 (unaudited)	<u>121,131</u>	<u>\$ 94,554</u>	<u>\$ 9,595</u>	<u>\$ 27,474</u>	<u>\$ 861,261</u>	<u>\$ 992,884</u>
Balance, October 5, 2008	120,536	\$ 89,377	\$ 6,728	\$ 26,248	\$ 689,190	\$ 811,543
Stock-based compensation related to stock options and Treasury restricted share units	-	-	1,338	-	-	1,338
Shares issued under employee share purchase plan	33	444	-	-	-	444
Shares issued pursuant to exercise of stock options	6	13	-	-	-	13
Shares issued pursuant to vesting of Treasury restricted share units	311	2,605	(2,605)	-	-	-
Net earnings	-	-	-	-	11,438	11,438
Balance, April 5, 2009 (unaudited)	<u>120,886</u>	<u>\$ 92,439</u>	<u>\$ 5,461</u>	<u>\$ 26,248</u>	<u>\$ 700,628</u>	<u>\$ 824,776</u>

See accompanying notes to interim consolidated financial statements.



Gildan Activewear Inc.
Interim Consolidated Statements of Cash Flows
(in thousands of U.S. dollars)

	Three months ended		Six months ended	
	April 4, 2010 (unaudited)	April 5, 2009 (unaudited)	April 4, 2010 (unaudited)	April 5, 2009 (unaudited)
Cash flows from (used in) operating activities:				
Net earnings	\$ 48,765	\$ 7,089	\$ 76,742	\$ 11,438
Adjustments for:				
Depreciation and amortization (note 11 (b))	15,826	16,238	31,776	32,125
Variation of depreciation included in inventories (note 11 (b))	3,476	(1,001)	904	(5,416)
Restructuring charges related to assets held for sale and property, plant and equipment (note 8)	1,216	15	2,110	15
(Gain) loss on disposal of property, plant and equipment	(5)	344	580	365
Stock-based compensation costs	981	591	2,040	1,338
Future income taxes	-	(181)	-	(359)
Non-controlling interest	348	112	511	(277)
Unrealized net loss (gain) on foreign exchange and financial derivatives not designated as cash flow hedges	293	(702)	704	(1,926)
Realized gain on financial derivatives included in other comprehensive income	2,012	-	2,012	-
	<u>72,912</u>	<u>22,505</u>	<u>117,379</u>	<u>37,303</u>
Changes in non-cash working capital balances:				
Trade accounts receivable	(72,593)	(73,558)	9,960	44,966
Inventories	2,520	7,464	(38,004)	(58,327)
Prepaid expenses and deposits	4,842	(80)	4,537	1,783
Other current assets	177	(2,060)	793	(1,101)
Accounts payable and accrued liabilities	22,485	(1,520)	22,571	(32,036)
Income taxes	61	(2,189)	(12,894)	(26,124)
	<u>30,404</u>	<u>(49,438)</u>	<u>104,342</u>	<u>(33,536)</u>
Cash flows from (used in) financing activities:				
Increase in amounts drawn under revolving long-term credit facility	-	71,000	-	71,000
Increase in other long-term debt	-	8	43	44
Repayment of other long-term debt	(2,462)	(770)	(3,732)	(2,565)
Proceeds from the issuance of shares	723	187	932	457
Recovery related to repricing of stock options previously exercised (note 6)	1,159	-	1,159	-
	<u>(580)</u>	<u>70,425</u>	<u>(1,598)</u>	<u>68,936</u>
Cash flows from (used in) investing activities:				
Purchase of property, plant and equipment	(34,525)	(13,401)	(68,534)	(27,064)
Business acquisition (note 4)	(15,326)	-	(15,326)	-
Restricted cash related to business acquisition	-	1,097	-	2,036
Proceeds on disposal of assets held for sale	323	420	4,040	632
Net (increase) decrease in other assets	(2,451)	423	(3,524)	799
	<u>(51,979)</u>	<u>(11,461)</u>	<u>(83,344)</u>	<u>(23,597)</u>
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	163	65	(40)	(192)
Net (decrease) increase in cash and cash equivalents during the period	(21,992)	9,591	19,360	11,611
Cash and cash equivalents, beginning of period	141,084	14,377	99,732	12,357
Cash and cash equivalents, end of period	<u>\$ 119,092</u>	<u>\$ 23,968</u>	<u>\$ 119,092</u>	<u>\$ 23,968</u>

Supplemental disclosure of cash flow information (note 11 (a))

See accompanying notes to interim consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(For the period ended April 4, 2010)

(Tabular amounts in thousands or thousands of U.S. dollars except per share data, unless otherwise indicated)

1. BASIS OF PRESENTATION:

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and include all normal and recurring entries that are necessary for a fair presentation of the statements. Accordingly, they do not include all of the information and footnotes required by Canadian generally accepted accounting principles for complete financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended October 4, 2009.

The Company's revenues and income are subject to seasonal variations. Consequently, the results of operations for the second fiscal quarter are traditionally not indicative of the results to be expected for the full fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES:

The Company applied the same accounting policies in the preparation of the interim consolidated financial statements, as disclosed in Note 1 of its audited consolidated financial statements for the year ended October 4, 2009.

3. FUTURE ACCOUNTING STANDARDS:***Business combinations:***

In January 2009, the AcSB issued CICA Handbook Section 1582, *Business Combinations*, which replaces Section 1581, *Business Combinations*, and provides the equivalent to IFRS 3, *Business Combinations* (January 2008). The new Section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new Section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100 percent of the equity interest in the acquiree is owned at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting. Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. This new Section will only have an impact on our consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption. The Company expects to early adopt Section 1582 in fiscal 2011.

3. FUTURE ACCOUNTING STANDARDS (continued):

Consolidated financial statements and non-controlling interests:

In January 2009, the AcSB issued CICA Handbook Section 1601, *Consolidated Financial Statements*, and Handbook Section 1602, *Non-Controlling Interests*, which together replace Section 1600, *Consolidated Financial Statements*. These two Sections are the equivalent to the corresponding provisions of International Accounting Standard 27, *Consolidated and Separate Financial Statements* (January 2008) under IFRS. Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The new Sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new Sections also require non-controlling interest to be presented as a separate component of shareholders' equity. Under Section 1602, non-controlling interest in income is not deducted in arriving at consolidated net income or other comprehensive income. Instead, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, and should be adopted concurrently with Section 1582. Earlier adoption is permitted which would be effective as of the beginning of the fiscal year of adoption. The Company expects to early adopt these Sections in fiscal 2011, which would result in the reclassification of the non-controlling interest in consolidated joint venture from a separate item on the consolidated balance sheet to a separate component of shareholders' equity for all periods presented.

4. BUSINESS ACQUISITION:

Effective March 31, 2010, the Company acquired 100% of the common shares of Shahriyar Fabric Industries Limited ("Shahriyar"), a vertically-integrated knitting, dyeing, finishing, cutting and sewing facility for the manufacture of high-quality ring-spun T-shirts near Dhaka, Bangladesh, for a total consideration of \$15.3 million. The purpose of the acquisition was to begin the development over time of a potential vertically-integrated manufacturing hub in Asia, to position the Company to pursue its growth strategy in its target geographic markets in Asia and Europe.

The Company accounted for this acquisition using the purchase method and the results of Shahriyar have been consolidated with those of the Company from the date of acquisition.

The Company has allocated the purchase price on a preliminary basis to the assets acquired and the liabilities assumed based on management's best estimate of their fair values and taking into consideration all relevant information available at that time. Since the company is still in the process of finalizing the valuation of assets acquired and liabilities assumed at the date of acquisition, the allocation of the purchase price is subject to change. The Company expects to finalize the purchase price allocation by the end of fiscal 2010.

**4. BUSINESS ACQUISITION (continued):**

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:	
Trade accounts receivable	\$ 1,500
Inventories	500
Property, plant and equipment	12,200
	<hr/> 14,200
Liabilities assumed:	
Accounts payable and accrued liabilities	(2,200)
	<hr/>
Net identifiable assets acquired	12,000
Goodwill	3,326
Purchase price	<hr/> \$ 15,326
Consideration:	
Payment to shareholders	\$ 2,800
Repayment of debt on behalf of the selling shareholders at closing	12,000
Transaction costs	526
	<hr/> \$ 15,326

The repayment of the debt on behalf of the selling shareholders at closing has been settled through the issuance, by the Company, of a short term banking facility of \$12 million, repayable at the option of the bank and subject to review for renewal on March 31, 2011, bearing interest at 9.5% per annum which is payable quarterly. The short term banking facility is secured by a restricted cash deposit of \$12 million with the same financial institution. The Company has offset the short term banking facility against the collateral deposit in the interim consolidated balance sheet since the Company has the legal right of offset and intends to settle the short term banking facility and the collateral deposit on a net basis.

5. INVENTORIES:

Inventories were comprised of the following:

	April 4, 2010	October 4, 2009	April 5, 2009
Raw materials and spare parts inventories	\$ 46,211	\$ 43,078	\$ 44,693
Work in process	40,586	24,576	29,152
Finished goods	252,670	234,213	306,070
	<hr/> \$ 339,467	<hr/> \$ 301,867	<hr/> \$ 379,915

The amount of inventory recognized as an expense and included in cost of sales for the three months ended April 4, 2010 was \$231.5 million (2009 - \$202.7 million), which included an expense of \$0.7 million (2009 - \$0.5 million), related to the write-down of slow-moving or obsolete inventory. The amount of inventory recognized as an expense and included in cost of sales for the six months ended April 4, 2010 was \$383.5 million (2009 - \$345.6 million), which included an expense of \$2.6 million (2009 - \$1.0 million), related to the write-down of slow-moving or obsolete inventory.

6. STOCK-BASED COMPENSATION:

The Company's Long Term Incentive Plan (the "LTIP") includes stock options and restricted share units. The LTIP allows the Board of Directors to grant stock options, dilutive restricted share units ("Treasury RSUs") and non-dilutive restricted share units ("non-Treasury RSUs") to officers and other key employees of the Company and its subsidiaries.

An internal review of all stock option grants made by the Company since its initial public offering in 1998 to the present was conducted by a special committee of independent directors of the Board. As a result of this review, the Company determined that certain stock options granted to employees, officers and directors during fiscal years 1999 to 2003 had been awarded at prices which were inconsistent with the terms of the Company's LTIP in effect at the time, as well as with certain requirements of the Toronto Stock Exchange. The special committee of the Board concluded that there had been no intention of wrongdoing on the part of any current or former director or senior officer in the granting of stock options during the aforesaid period. However, current directors and senior executive officers who inadvertently benefitted from more favourable pricing of stock options have voluntarily reimbursed the Company for any excess gains and have agreed to the repricing of unexercised options. In addition, the Company has pursued all reasonable avenues for recoveries from other parties. The steps taken by the Company resulted in: (i) the Company increasing the exercise price of 261,440 unexercised vested stock options during the second quarter, resulting in a \$0.2 million increase in the aggregate exercise value of the unexercised stock options, or representing an increase to the weighted average exercise price for these stock options of \$0.77 (from \$6.18 to \$6.95), and also resulting in an increase of \$0.10 to the weighted average exercise price of all options outstanding as at April 4, 2010 (from \$18.76 to \$18.86), and; (ii) the Company recovering \$2.2 million in cash, including \$1.1 million from current senior officers during the second quarter relating to stock options that were previously exercised, and \$1.1 million from other parties during the first quarter. Amounts recovered in cash from current senior officers have been recorded as a credit to contributed surplus. No adjustment is required to prior year financial statements under either Canadian or U.S. GAAP.

Changes in outstanding stock options were as follows:

	Number	Weighted average exercise price (in Canadian dollars)
Options outstanding, October 4, 2009	1,010	\$ 16.21
Granted	498	21.77
Exercised	(96)	6.83
Forfeited	(17)	26.13
Options outstanding, April 4, 2010	1,395	\$ 18.86

As at April 4, 2010, 560,894 outstanding options were exercisable at the weighted average price of CA\$11.03 (October 4, 2009 - 658,388 options at CA\$10.17). Based on the Black-Scholes option pricing model, the grant date weighted average fair value of options granted during the six months ended April 4, 2010 was \$8.51 (2009 - \$9.24).

Changes in outstanding Treasury RSUs were as follows:

	Number	Weighted average fair value per unit
Treasury RSUs outstanding, October 4, 2009	758	\$ 18.48
Granted	201	18.57
Settled through the issuance of common shares	(57)	10.25
Forfeited	(23)	27.09
Treasury RSUs outstanding, April 4, 2010	879	\$ 18.80

As at April 4, 2010, none of the awarded and outstanding Treasury RSUs were vested.

**6. STOCK-BASED COMPENSATION (continued):**

The compensation expense included in selling, general and administrative expenses and cost of sales, in respect of the options and Treasury RSUs, for the second quarter and for the first six months of fiscal 2010 was \$0.9 million (2009 - \$0.6 million) and \$2.0 million (2009 - \$1.3 million), respectively. The counterpart has been recorded as contributed surplus. When the shares are issued to the employees, the amounts previously credited to contributed surplus are transferred to share capital.

Changes in outstanding non-Treasury RSUs were as follows:

	Number
Non-Treasury RSUs outstanding, October 4, 2009	185
Granted	214
Settled	(48)
Forfeited	(9)
Non-Treasury RSUs outstanding, April 4, 2010	342

As of April 4, 2010, the weighted average fair value per non-Treasury RSU was \$27.20. No common shares are issued from treasury under such awards and they are, therefore, non-dilutive. As at April 4, 2010, none of the outstanding non-Treasury RSUs were vested.

The compensation expense (recovery) included in selling, general and administrative expenses and cost of sales, in respect of the non-Treasury RSUs, for the second quarter and for the first six months of fiscal year 2010 was \$0.6 million (2009 - nil) and \$1.7 million (2009 - \$(0.2) million), respectively. The counterpart has been recorded in accounts payable and accrued liabilities.

7. GUARANTEES:

The Company, and some of its subsidiaries, have granted corporate guarantees, irrevocable standby letters of credit and surety bonds, to third parties to indemnify them in the event the Company and some of its subsidiaries do not perform their contractual obligations. As at April 4, 2010, the maximum potential liability under these guarantees was \$12.7 million (October 4, 2009 - \$10.0 million), of which \$5.0 million (October 4, 2009 - \$4.7 million) was for surety bonds and \$7.7 million (October 4, 2009 - \$5.3 million) was for corporate guarantees and standby letters of credit. The surety bonds are automatically renewed on an annual basis, the corporate guarantees and standby letters of credit mature at various dates up to fiscal 2011.

As at April 4, 2010, the Company has recorded no liability with respect to these guarantees, as the Company does not expect to make any payments for the aforementioned items. Management has determined that the fair value of the non-contingent obligations requiring performance under the guarantees in the event that specified triggering events or conditions occur approximates the cost of obtaining the standby letters of credit and surety bonds.

**8. RESTRUCTURING AND OTHER CHARGES, AND ASSETS HELD FOR SALE:**

	Three months ended		Six months ended	
	April 4, 2010	April 5, 2009	April 4, 2010	April 5, 2009
Gain on disposal of assets held for sale	\$ (231)	\$ (585)	\$ (433)	\$ (585)
Accelerated depreciation	797	-	1,893	-
Asset impairment loss and write-down of assets held for sale	650	600	650	600
Employee termination costs and other benefits	20	128	327	453
Carrying and dismantling costs associated with assets held for sale	288	-	673	600
	\$ 1,524	\$ 143	\$ 3,110	\$ 1,068

During the first quarter of fiscal 2010, the Company announced plans to consolidate its existing distribution centres servicing retail customers at a new retail distribution centre in Charleston, South Carolina, which will result in the closure of its existing retail distribution facilities in Martinsville, Virginia and Fort Payne, Alabama during the second half of fiscal 2010. The costs incurred in connection with this initiative have been recorded as restructuring and other charges, including accelerated depreciation resulting from a change in estimate for the remaining economic lives of certain distribution long-lived assets at the beginning of fiscal 2010. The Company has also recorded restructuring charges in fiscal 2010 and 2009 relating to manufacturing facilities that were closed in fiscal 2009 and in previous years.

For the first half of fiscal 2010, restructuring and other charges totalled \$3.1 million, mainly relating to the consolidation of retail distribution facilities, including \$1.9 million of accelerated depreciation, \$0.3 million of employee termination costs, and an asset impairment loss of \$0.6 million. The Company expects to incur an additional \$4.0 million of restructuring costs during the remainder of the year in relation to the consolidation of the Company's distribution facilities, including accelerated depreciation, lease termination costs, inventory transfer costs, and carrying and dismantling costs. Restructuring charges of \$1.1 million in the first half of fiscal 2009 include \$1.7 million of severance, other exit costs and an asset impairment loss, less a gain of \$0.6 million recognized on the disposal of assets relating to closures which occurred in previous fiscal years.

Assets held for sale of \$3.2 million as at April 4, 2010 (October 4, 2009 - \$6.5 million; April 5, 2009 - \$11.6 million) include property, plant and equipment relating to the closed facilities. The Company expects to incur additional carrying costs relating to the closed facilities, which will be accounted for as restructuring charges as incurred and until all property, plant and equipment related to the closures are disposed. Any gains or losses on the disposal of the assets held for sale will also be accounted for as restructuring charges as incurred.

**9. EARNINGS PER SHARE:**

A reconciliation between basic and diluted earnings per share is as follows:

	Three months ended		Six months ended	
	April 4, 2010	April 5, 2009	April 4, 2010	April 5, 2009
Basic earnings per share:				
Basic weighted average number of common shares outstanding	121,061	120,799	121,019	120,686
Basic earnings per share	\$ 0.40	\$ 0.06	\$ 0.63	\$ 0.09
Diluted earnings per share:				
Basic weighted average number of common shares outstanding	121,061	120,799	121,019	120,686
Plus dilutive impact of stock options and Treasury RSUs	858	379	822	607
Diluted weighted average number of common shares outstanding	121,919	121,178	121,841	121,293
Diluted earnings per share	\$ 0.40	\$ 0.06	\$ 0.63	\$ 0.09

Excluded from the above calculation for the three months ended April 4, 2010 are 918,998 (2009 – 458,287) stock options and nil (2009 – 483,806) Treasury RSUs which were deemed to be anti-dilutive. Excluded from the above calculation for the six months ended April 4, 2010 are 922,531 (2009 – 462,581) stock options and 32,750 (2009 – 336,521) Treasury RSUs which were deemed to be anti-dilutive.

10. OTHER COMPREHENSIVE INCOME:

Other comprehensive income was comprised of the following:

	Three months ended		Six months ended	
	April 4, 2010	April 5, 2009	April 4, 2010	April 5, 2009
Net gain on derivatives designated as cash flow hedges (net of income tax expense of \$28 and \$10, respectively)	\$ 993	\$ -	\$ 2,800	\$ -
Amounts transferred from other comprehensive income to net earnings, and included in:				
Net sales (net of income tax recovery of \$10)	(1,003)	-	(1,003)	-
Financial expense, net (net of income tax recovery of \$6)	(571)	-	(571)	-
	\$ (581)	\$ -	\$ 1,226	\$ -

As at April 4, 2010, approximately \$1.2 million of net gains presented in accumulated other comprehensive income are expected to be reclassified to net earnings within the next 12 months.

During the second quarter of fiscal 2010 the Company entered into early settlement arrangements for certain forward foreign exchange contracts designated as cash flow hedges. As a result of these early settlements, the Company received \$3.0 million in cash of which \$2.0 million was recorded in accumulated other comprehensive income, and will be recognized in net earnings in the same period in which the foreign exchange impact of the forecasted cash flow affects net earnings, and \$1.0 million is recorded in net earnings since the foreign exchange impact of the forecasted cash flows occurred during the period.

**11. OTHER INFORMATION:**

(a) Supplemental cash flow disclosure:

	Three months ended		Six months ended	
	April 4, 2010	April 5, 2009	April 4, 2010	April 5, 2009
Cash paid during the period for:				
Interest	\$ 53	\$ 397	\$ 109	\$ 1,344
Income taxes	1,221	2,156	15,412	26,170
<hr/>				
	April 4, 2010	October 4, 2009	April 5, 2009	
Balance of non-cash transactions:				
Additions to property, plant and equipment included in accounts payable and accrued liabilities	\$ 3,000	\$ 627	\$	96
Proceeds on disposal of long-lived assets in other assets	556	808		1,112
Proceeds on disposal of long-lived assets in other current assets	284	456		-
Business acquisition in accounts payable and accrued liabilities	-	-		1,196
<hr/>				
Non-cash ascribed value credited to share capital from issuance of Treasury RSUs	\$ 580	\$ 2,759	\$	2,605
<hr/>				
Cash and cash equivalents consist of:				
Cash balances with banks	\$ 119,092	\$ 92,608	\$	18,825
Short-term investments, bearing interest at rates up to 0.12% at October 4, 2009 and up to 0.44% at April 5, 2009	-	7,124		5,143
	\$ 119,092	\$ 99,732	\$	23,968

11. OTHER INFORMATION (continued):

(b) Depreciation and amortization:

	Three months ended		Six months ended	
	April 4, 2010	April 5, 2009	April 4, 2010	April 5, 2009
Depreciation and amortization of property, plant and equipment and intangible assets	\$ 15,826	\$ 16,238	\$ 31,776	\$ 32,125
Adjustment for the variation of depreciation of property, plant and equipment included in inventories at the beginning and end of the period	3,476	(1,001)	904	(5,416)
Depreciation and amortization included in the interim consolidated statements of earnings and comprehensive income	\$ 19,302	\$ 15,237	\$ 32,680	\$ 26,709
Consists of:				
Depreciation of property, plant and equipment	\$ 18,496	\$ 14,402	\$ 31,067	\$ 24,952
Amortization of intangible assets	799	799	1,599	1,599
Amortization of deferred financing costs and other	7	36	14	158
Depreciation and amortization included in the interim consolidated statements of earnings and comprehensive income	\$ 19,302	\$ 15,237	\$ 32,680	\$ 26,709

(c) The Company recorded bad debt expense of \$0.3 million (2009 – \$0.6 million) for the three months ended April 4, 2010 and \$0.4 million (2009 – \$2.4 million) for the six months ended April 4, 2010. Bad debt expense is included in selling, general and administrative expenses.

(d) The Company expensed \$2.2 million (2009 - \$2.0 million) in cost of sales for the three months ended April 4, 2010, representing management's best estimate of the cost of statutory severance and pre-notice benefit obligations accrued for active employees located in the Caribbean Basin and Central America. The expense for the six months ended April 4, 2010 was \$4.0 million (2009 - \$4.0 million).

12. FINANCIAL INSTRUMENTS:

The Company has determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying amounts as at the balance sheet dates because of the short-term maturity of those instruments. The fair values of the long-term receivable and the restricted cash included in other assets, and the Company's interest-bearing financial liabilities also approximate their respective carrying amounts. The fair values of cash and cash equivalents were measured using Level 2 inputs in the fair value hierarchy, and forward foreign exchange contracts and forward fuel oil contracts were measured using Level 1 inputs in the fair value hierarchy.

12. FINANCIAL INSTRUMENTS (continued):

(a) Financial expense, net:

	Three months ended		Six months ended	
	April 4, 2010	April 5, 2009	April 4, 2010	April 5, 2009
Interest expense (i)	\$ 24	\$ 437	\$ 18	\$ 1,367
Bank and other financial charges	485	268	778	507
Foreign exchange (gain) loss (ii)	(434)	(684)	126	(1,664)
	\$ 75	\$ 21	\$ 922	\$ 210

(i) Interest expense (income):

	Three months ended		Six months ended	
	April 4, 2010	April 5, 2009	April 4, 2010	April 5, 2009
Interest expense on long-term debt	\$ 10	\$ 378	\$ 46	\$ 1,261
Interest expense on short-term indebtedness	-	74	12	145
Interest income on held-for-trading financial assets	(9)	(11)	(61)	(31)
Interest income on loans and receivables	(20)	(20)	(40)	(40)
Other interest expense	43	16	61	32
	\$ 24	\$ 437	\$ 18	\$ 1,367

Interest income on held-for-trading financial assets consists of interest earned from cash and cash equivalents invested in short-term deposits. Interest income on loans and receivables relates to interest earned on the Company's long-term receivable included in other assets.

(ii) Foreign exchange (gain) loss:

	Three months ended		Six months ended	
	April 4, 2010	April 5, 2009	April 4, 2010	April 5, 2009
(Gain) loss relating to financial assets and liabilities	\$ (435)	\$ (872)	\$ 39	\$ 1,050
Loss relating to financial derivatives not designated as cash flow hedges, including amounts realized on contract maturity and changes in fair value of open positions	7	457	7	2,757
Foreign exchange (gain) loss relating to financial instruments	(428)	(415)	46	3,807
Other foreign exchange (gain) loss	(6)	(269)	80	(5,471)
	\$ (434)	\$ (684)	\$ 126	\$ (1,664)

12. FINANCIAL INSTRUMENTS (continued):
(b) Derivative instruments:

The Company has entered into forward foreign exchange contracts in order to reduce the exposure of forecasted cash flows in currencies other than the U.S. dollar. The forward foreign exchange contracts were designated as cash flow hedges and qualified for hedge accounting. As such, the effective portion of unrealized gains and losses related to the fair value of the cash flow hedges are included in other comprehensive income, and are recognized in net earnings in the same period in which the foreign exchange impact of the forecasted cash flow affects net earnings. The forward foreign exchange contracts outstanding as at April 4, 2010 consisted primarily of contracts to sell Australian dollars, Canadian dollars, and Mexican pesos in exchange for U.S. dollars.

The Company has also entered into forward fuel oil contracts in order to reduce the exposure of forecasted cash outflows that are affected by oil prices. The forward fuel oil contracts were designated as cash flow hedges and qualified for hedge accounting. As such, the effective portion of unrealized gains and losses related to the fair value of the cash flow hedges are included in other comprehensive income, and are recognized in net earnings in the same period as the hedged fuel oil affects net earnings.

As at April 4, 2010, the derivatives designated as cash flow hedges were considered to be fully effective with no resulting portions being designated as ineffective.

April 4, 2010	Notional U.S. equivalent	Carrying and fair value		Maturity	
		Other current assets	Accounts payable and accrued liabilities	0 to 6 months	7 to 12 months
Derivative instruments designated as cash flow hedges:					
Forward foreign exchange contracts	\$ 24,583	\$ -	\$ (670)	\$ (628)	\$ (42)
Forward fuel oil contracts	4,479	210	-	210	-
	<u>\$ 29,062</u>	<u>\$ 210</u>	<u>\$ (670)</u>	<u>\$ (418)</u>	<u>\$ (42)</u>
Derivative instruments not designated as hedges:					
Forward foreign exchange contracts	\$ 6,075	\$ -	\$ (7)	\$ (2)	\$ (5)

As at October 4, 2009 the Company had no outstanding derivative financial instruments relating to commitments to buy or sell foreign currencies through forward foreign exchange contracts or commitments to buy forward fuel oil contracts.

(c) Interest rate swap contracts:

The Company had no interest rate swap contracts outstanding as at April 4, 2010. In the second quarter of fiscal 2009, the Company entered into interest rate swap contracts to fix the variable portion (LIBOR excluding the applicable margin) on a portion of the borrowings under the revolving long-term credit facility. As at April 5, 2009, the interest rate swap contracts were reported at fair value. The fair value of these contracts was nominal, and is included in accounts payable and accrued liabilities. Changes in the fair value of these contracts are included in net earnings. The Company elected not to apply hedge accounting for these derivatives.

13. CONTINGENCIES:**(a) Securities Class Actions:**

The Company and certain of its senior officers have been named as defendants in a number of proposed class action lawsuits filed in the United States District Court for the Southern District of New York. A proposed class action has also been filed in the Ontario Superior Court of Justice and a petition for authorization to commence a class action has been filed in the Quebec Superior Court. Each of these U.S. and Canadian lawsuits, which have yet to be certified as a class action by the respective courts at this stage, seek to represent a class comprised of persons who acquired the Company's common shares between August 2, 2007 and April 29, 2008 and allege, among other things, that the defendants misrepresented the Company's financial condition and its financial prospects in its financial guidance concerning the 2008 fiscal year, which was subsequently revised on April 29, 2008.

The U.S. lawsuits have been consolidated, and a consolidated amended complaint was filed alleging claims under the U.S. securities laws. On July 1, 2009, the District Court granted the motion by Gildan and other defendants to dismiss the U.S. action in its entirety, holding that the consolidated amended complaint failed to adequately allege the essential elements of a claim under the applicable provisions of the U.S. securities laws, including the existence of a material misstatement and fraudulent intent. On July 17, 2009, plaintiffs filed a motion seeking reconsideration of this decision only insofar as it declined to grant plaintiffs an opportunity to file a second amended complaint. On July 31, 2009, the Company and the other defendants filed a response to plaintiffs' motion seeking reconsideration. On December 4, 2009, the plaintiffs' motion seeking reconsideration was denied. The Plaintiff's have appealed the decisions on the motion for reconsideration and the motion to dismiss, but no date has been set yet for the appeal.

In addition to pursuing common law claims, the Ontario action proposes to seek leave from the Ontario court to also bring statutory misrepresentation civil liability claims under Ontario's Securities Act. A motion, along with affidavit evidence, for leave to pursue such statutory liability claims and class certification have been filed by the plaintiff. No date has been set yet for the hearing of that motion. In the Quebec action, a motion requesting permission to amend the petition was filed on April 6, 2010, to align the allegations in said petition with those pleaded in the Ontario action. A case management judge has been appointed but no date has been set yet for the case conference.

The Company strongly contests the basis upon which these actions are predicated and intends to vigorously defend its position. However, due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of these lawsuits or determine the amount of any potential losses, if any. No provision for contingent loss has been recorded in the interim Consolidated Financial Statements.

(b) Insurance claim:

As disclosed in the fiscal 2010 first quarter interim financial statements, the earthquake which struck Haiti on January 12, 2010 impacted the Company's third-party contractor operations used to sew the majority of the fabric produced at its Dominican Republic textile facility. The impact on the Company's operations included a temporary loss of production during the second quarter. The Company's insurance policies provide coverage for lost or damaged assets as well as interruptions to the Company's business, including profits on lost sales and additional expenses to mitigate losses. The maximum insurance recovery for this event is \$8.0 million, based on a specific policy sub-limit for events occurring in Haiti, and recoveries cannot be claimed before the applicable earthquake policy deductible has been exhausted, which is currently estimated at \$2.5 million. The Company expects that its insurance claim for this event will include amounts for lost assets and extra expenses of approximately \$3.0 million, which have been incurred and expensed during the second quarter, as well as amounts for the impact of any lost sales opportunities in the second half of fiscal 2010 resulting from the temporary loss of production during the second quarter. However, there can be no assurance that all amounts to be claimed will be recovered from the insurance carrier or that the losses from this event will not exceed the policy sub-limit. The Company has not received any proceeds from its insurance carrier, and no insurance recoveries have been recorded in the financial statements. The Company will recognize insurance recoveries for this claim in its financial statements in the period when the recovery is probable and estimable.

14. SEGMENTED INFORMATION:

The Company manufactures and sells activewear, socks and underwear. The Company operates in one business segment, being high-volume, basic, frequently replenished, non-fashion apparel.

14. SEGMENTED INFORMATION (continued):

(a) Net sales by major product group:

	Three months ended		Six months ended	
	April 4, 2010	April 5, 2009	April 4, 2010	April 5, 2009
Activewear and underwear	\$ 273,235	\$ 180,851	\$ 426,142	\$ 296,694
Socks	53,554	63,956	121,062	132,108
	\$ 326,789	\$ 244,807	\$ 547,204	\$ 428,802

(b) Major customers and revenues by geographic area:

(i) The Company has three customers accounting for at least 10% of total net sales:

	Three months ended		Six months ended	
	April 4, 2010	April 5, 2009	April 4, 2010	April 5, 2009
Company A	21.2%	10.8%	22.9%	16.7%
Company B	14.8%	18.3%	17.0%	20.5%
Company C	5.7%	11.8%	4.9%	7.5%

(ii) Net sales were derived from customers located in the following geographic areas:

	Three months ended		Six months ended	
	April 4, 2010	April 5, 2009	April 4, 2010	April 5, 2009
United States	\$ 287,615	\$ 223,154	\$ 484,127	\$ 392,784
Canada	14,541	6,861	20,823	11,585
Europe and other	24,633	14,792	42,254	24,433
	\$ 326,789	\$ 244,807	\$ 547,204	\$ 428,802

(c) Property, plant and equipment by geographic area are as follows:

	April 4, 2010	October 4, 2009	April 5, 2009
Honduras	\$ 223,440	\$ 212,034	\$ 217,052
Caribbean basin	117,475	102,682	100,967
United States	82,591	67,491	75,694
Canada	18,987	22,211	25,307
Other	21,979	10,120	10,732
	\$ 464,472	\$ 414,538	\$ 429,752

Goodwill and intangible assets relate mainly to acquisitions located in the United States.

15. COMPARATIVE FIGURES:

Certain comparative figures have been adjusted to conform to the current year's presentation including the reclassification of a non-trade accounts receivable balance of \$8.2 million as at April 5, 2009 against accounts payable and accrued liabilities for which the Company has the legal right of offset and intends to settle on a net basis.