

Hanesbrands Inc.
Form 10-Q
August 03, 2007

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

FORM 10-Q

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

For the quarterly period ended June 30, 2007

or

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

For the transition period from to

Commission file number: 001-32891

Hanesbrands Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State of incorporation)

1000 East Hanes Mill Road

Winston-Salem, North Carolina

(Address of principal executive office)

20-3552316

(I.R.S. employer identification no.)

27105

(Zip code)

(336) 519-4400

(Registrant's telephone number including area code)

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of August 1, 2007, there were 95,886,641 shares of the registrant's common stock outstanding.

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Trademarks, Trade Names and Service Marks

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

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and other materials we have filed or will file with the Securities and Exchange Commission, or the SEC, contain, or will contain, certain forward-looking statements regarding business strategies, market potential, future financial performance and other matters. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can generally be identified by the use of words such as may, believe, will, expect, project, estimate, intend, anticipate, plan, continue or similar expressions. In part, the information appearing under Management's Discussion and Analysis of Financial Condition and Results of Operations includes forward-looking statements. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements.

Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is based on the current plans and expectations of our management and expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. More information on factors that could affect our financial results is included from time to time in our reports filed with the Securities and Exchange Commission, including our Report on Form 10-KT for the six months ended December 30, 2006.

All forward-looking statements contained in this Quarterly Report on Form 10-Q and the related risks, uncertainties and other factors speak only as of the date of this Quarterly Report on Form 10-Q. We expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any other change in events, conditions or circumstances on which any such statement is based, other than as required by law.

WHERE YOU CAN FIND MORE INFORMATION

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

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

Table of Contents**PART I****Item 1. Financial Statements****HANESBRANDS****Condensed Consolidated Statements of Income**
(in thousands, except per share amounts)
(unaudited)

	Quarter Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Net sales	\$ 1,121,907	\$ 1,120,133	\$ 2,161,801	\$ 2,152,993
Cost of sales	741,550	738,672	1,441,765	1,430,640
Gross profit	380,357	381,461	720,036	722,353
Selling, general and administrative expenses	266,017	302,597	520,584	545,967
Restructuring	26,225	(1,046)	42,471	238
Operating profit	88,115	79,910	156,981	176,148
Other expenses	551		551	
Interest expense, net	51,230	5,768	102,947	8,868
Income before income tax expense	36,334	74,142	53,483	167,280
Income tax expense	10,900	14,857	16,045	33,403
Net income	\$ 25,434	\$ 59,285	\$ 37,438	\$ 133,877
Earnings per share:				
Basic	\$ 0.26	\$ 0.62	\$ 0.39	\$ 1.39
Diluted	\$ 0.26	\$ 0.62	\$ 0.39	\$ 1.39
Weighted average shares outstanding:				
Basic	96,254	96,306	96,343	96,306
Diluted	97,224	96,306	97,136	96,306

See accompanying notes to Condensed Consolidated Financial Statements.

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

	June 30, 2007	December 30, 2006
Assets		
Cash and cash equivalents	\$ 176,393	\$ 155,973
Trade accounts receivable, less allowances of \$25,891 at June 30, 2007 and \$27,709 at December 30, 2006	555,875	488,629
Inventories	1,233,787	1,216,501
Deferred tax assets and other current assets	193,721	210,077
Total current assets	2,159,776	2,071,180
Property, net	503,052	556,866
Trademarks and other identifiable intangibles, net	138,714	137,181
Goodwill	281,644	281,525
Deferred tax assets and other noncurrent assets	395,275	388,868
Total assets	\$ 3,478,461	\$ 3,435,620
Liabilities and Stockholders Equity		
Accounts payable	\$ 254,043	\$ 222,541
Accrued liabilities	398,426	365,001
Notes payable to banks	13,291	14,264
Current portion of long-term debt		9,375
Total current liabilities	665,760	611,181
Long-term debt	2,440,250	2,484,000
Other noncurrent liabilities	243,014	271,168
Total liabilities	3,349,024	3,366,349
Stockholders equity:		
Preferred stock (50,000,000 authorized shares; \$.01 par value)		
Issued and outstanding None		
Common stock (500,000,000 authorized shares; \$.01 par value)		
Issued and outstanding June 30, 2007 95,831,922; December 30, 2006 96,312,458	960	963
Additional paid-in capital	121,284	94,852
Retained earnings	55,231	33,024
Accumulated other comprehensive loss	(48,038)	(59,568)

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Total stockholders' equity	129,437	69,271
Total liabilities and stockholders' equity	\$ 3,478,461	\$ 3,435,620

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	June 30,	July 1, 2006
	2007	
Operating activities:		
Net income	\$ 37,438	\$ 133,877
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	63,189	54,763
Amortization of intangibles	3,074	4,986
Restructuring	(3,222)	(3,881)
Loss on early extinguishment of debt	551	
Amortization of debt issuance costs	3,289	
Stock compensation expense	19,133	
Deferred taxes and other	(7,986)	(32,319)
Changes in assets and liabilities:		
Accounts receivable	(65,716)	(11,656)
Inventories	(11,012)	(30,111)
Other assets	15,085	(5,908)
Due to and from related entities		4,266
Accounts payable	32,355	41,801
Accrued liabilities	15,380	(12,244)
Net cash provided by operating activities	101,558	143,574
Investing activities:		
Purchases of property and equipment	(18,288)	(59,858)
Proceeds from sales of assets	8,198	2,338
Other	(1,395)	(437)
Net cash used in investing activities	(11,485)	(57,957)
Financing activities:		
Principal payments on capital lease obligations	(588)	(3,152)
Borrowings on notes payable to banks	14,038	4,132
Repayments on notes payable to banks	(15,483)	(68,070)
Cost of debt issuance	(2,243)	
Repayment of debt under credit facilities	(53,125)	
Increase (decrease) in bank overdraft.	(834)	275,385
Proceeds from stock options exercised	2,803	
Stock repurchases	(15,885)	
Other	613	
Borrowings on notes payable to related entities		8,724

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Net transactions with parent companies		(278,368)
Net transactions with related entities		(239,640)
Net cash used in financing activities	(70,704)	(300,989)
Effect of changes in foreign exchange rates on cash	1,051	2,992
Increase (decrease) in cash and cash equivalents	20,420	(212,380)
Cash and cash equivalents at beginning of year	155,973	510,632
Cash and cash equivalents at end of period	\$ 176,393	\$ 298,252

See accompanying notes to Condensed Consolidated Financial Statements.

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HANESBRANDS

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

(1) Basis of Presentation

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

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

Hanesbrands Inc. was incorporated in connection with the spin off by Sara Lee Corporation (Sara Lee) of its apparel business in the Americas and Asia (the Branded Apparel Americas and Asia Business). The condensed consolidated financial statements reflect the consolidated operations of Hanesbrands and its subsidiaries as a separate, stand-alone entity subsequent to the spin off from Sara Lee on September 5, 2006, in addition to the historical operations of the Branded Apparel Americas and Asia Business which were operated as part of Sara Lee prior to the spin off.

Management believes the assumptions underlying the condensed consolidated financial statements for these periods are reasonable. However, the condensed consolidated financial statements included herein for periods prior to September 5, 2006 do not necessarily reflect what the Branded Apparel Americas and Asia Business results of operations, financial position and cash flows would have been had the Branded Apparel Americas and Asia Business been a stand-alone company during those periods.

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

(2) Earnings Per Share

Basic earnings per share (EPS) was computed by dividing net income by the number of weighted average shares of common stock outstanding during the second quarter and six months ended June 30, 2007. Diluted EPS was calculated to give effect to all potentially dilutive shares of common stock. The reconciliation of basic to diluted weighted average shares for the second quarter and six months ended June 30, 2007 is as follows:

	Quarter Ended June 30, 2007	Six Months Ended June 30, 2007
Basic weighted average shares	96,254	96,343
Effect of potentially dilutive securities:		
Stock options	207	180
Restricted stock units	761	612
Employee stock purchase plan	2	1
Diluted weighted average shares	97,224	97,136

Options to purchase 1,023 and 2,096 shares of common stock were excluded from the diluted earnings per share calculation because their effect would be anti-dilutive for the second quarter and six months ended June 30, 2007, respectively.

For the second quarter and six months ended July 1, 2006, basic and diluted EPS were computed using the number of shares of Hanesbrands stock outstanding on September 5, 2006, the date on which Hanesbrands common stock was distributed to stockholders of Sara Lee in connection with the spin off.

(3) Stock-Based Compensation

During the first quarter ended March 31, 2007, the Company granted options to purchase 1,082 shares of common stock pursuant to the Hanesbrands Inc. Omnibus Incentive Plan of 2006 (the Omnibus Plan) at an exercise price of \$25.10 per share, which was the closing price of Hanesbrands stock on the date of grant. Options can be exercised over a term of between five and seven years and vest ratably over one to three years with the exception of one category of award which vested immediately upon grant. The fair value of each option granted during the first quarter ended March 31, 2007 was estimated as of the date of grant using the Black-Scholes option-pricing model using the following weighted average assumptions: weighted average expected volatility of 26%; weighted average expected term of 4.49 years; expected dividend yield of 0%; and risk-free interest rate ranging from 4.85% to 4.92%, with a weighted average of 4.85%. The Company uses the volatility of peer companies for a period of time that is comparable to the expected life of the option to determine volatility assumptions due to the relatively short period of time since the spin off on September 5, 2006 during which Hanesbrands stock was traded. The Company utilized the

simplified method outlined in SEC Staff Accounting Bulletin No. 107 to estimate expected lives for options granted during the first quarter ended March 31, 2007. The weighted average fair value of individual options granted during the first quarter ended March 31, 2007 was \$7.73.

During the first quarter ended March 31, 2007, the Company granted 574 restricted stock units (RSUs) pursuant to the Omnibus Plan. Upon the achievement of defined service conditions, the RSUs are converted into shares of the Company's common stock on a one-for-one basis and issued to the grantees. All RSUs vest solely upon continued future service to the Company. The cost of these awards is determined using the fair

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

value of the shares on the date of grant, and compensation expense is recognized over the period during which the grantees provide the requisite service to the Company. The grant date fair value of the RSUs was \$25.10.

During April 2007, the Company implemented the Hanesbrands Inc. Employee Stock Purchase Plan of 2006 (the ESPP), which is qualified under Section 423 of the Internal Revenue Code. An aggregate of up to 2,442 shares of Hanesbrands common stock may be purchased by eligible employees pursuant to the ESPP. The purchase price for shares under the ESPP is equal to 85% of the stock's fair market value on the purchase date. During the second quarter and six months ended June 30, 2007, 13 shares were purchased under the ESPP by eligible employees. The Company had 2,429 shares of common available for issuance under the ESPP as of June 30, 2007.

(4) Restructuring

The reported results for the quarters and six months ended June 30, 2007 and July 1, 2006 reflect amounts recognized for restructuring actions. Reported amounts also include the impact of certain actions that were completed for amounts more favorable than previously estimated of \$2,589 and \$3,222, respectively, in the quarter and six months ended June 30, 2007 and \$3,881 for both the quarter and six months ended July 1, 2006. The impact of restructuring on income before income tax expense is summarized as follows:

	Quarter Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Restructuring programs:				
Fiscal year 2007 restructuring actions	\$ 41,404	\$	\$ 49,052	\$
Six months ended December 30, 2006 restructuring actions	(1,049)		12,599	
Fiscal year 2006 restructuring actions	(433)	2,835	(433)	4,119
Fiscal year 2005 restructuring actions	(336)	(2,514)	(119)	(2,514)
Fiscal year 2004 and prior restructuring actions		(1,367)		(1,367)
Decrease (increase) in income before income tax expense	\$ 39,586	\$ (1,046)	\$ 61,099	\$ 238

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

	Quarter Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Cost of sales	\$ 12,413	\$	\$ 17,680	\$

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Selling, general and administrative expenses	948		948	
Restructuring	26,225	(1,046)	42,471	238
Decrease (increase) in income before income tax expense	\$ 39,586	\$ (1,046)	\$ 61,099	\$ 238

During the six months ended June 30, 2007, the Company, in connection with its consolidation and globalization strategy, approved actions that will result in the closure of 14 manufacturing facilities and two distribution centers in the United States, Canada, the Dominican Republic, Mexico and Puerto Rico. All actions are expected to be completed within a 12-month period. The net impact of these actions was to reduce

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

income before income tax expense by \$41,404 and \$49,052 in the second quarter and six months ended June 30, 2007, respectively.

The Company recognized \$27,530 and \$33,936 in the second quarter and six months ended June 30, 2007, respectively, which represents costs associated with the planned termination of 7,680 employees for employee termination and other benefits recognized in accordance with benefit plans previously communicated to the affected employee group. This charge is reflected in the Restructuring line of the Condensed Consolidated Statements of Income. As of June 30, 2007, 1,437 employees had been terminated and the severance obligation remaining in accrued liabilities on the Condensed Consolidated Balance Sheet was \$32,246.

The Company recognized \$13,874 and \$15,116 in the second quarter and six months ended June 30, 2007, respectively, which represents accelerated depreciation of buildings and equipment for facilities that have been or will be closed in connection with its consolidation and globalization strategy. This charge is reflected in the Cost of sales and Selling, general and administrative expenses lines of the Condensed Consolidated Statements of Income.

The following table summarizes the charges taken for the restructuring actions during the six months ended June 30, 2007 and the related status as of June 30, 2007. Any accrued amounts remaining as of June 30, 2007 represent those cash expenditures necessary to satisfy remaining obligations, which will be primarily paid in the next 12 months.

	Cumulative Restructuring Costs Recognized	Non-Cash Charges	Cash Payments	Accrued Restructuring as of June 30, 2007
Employee termination and other benefits	\$ 33,936	\$	\$ (1,690)	\$ 32,246
Accelerated depreciation	15,116	(15,116)		
	\$ 49,052	\$ (15,116)	\$ (1,690)	\$ 32,246

The following table summarizes activity in accrued restructuring for each of the prior period restructuring actions from December 30, 2006 to June 30, 2007. Any accrued amounts remaining as of June 30, 2007 represent those cash expenditures necessary to satisfy remaining obligations. Remaining obligations for employee termination and other benefits will be paid primarily in the next 12 months, while the obligations for lease termination costs will be paid primarily over the next several years.

December 30, 2006	Restructuring Charges	Cash Payments	June 30, 2007
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Six months ended December 30, 2006 restructuring actions	\$	5,334	\$	8,894	\$	(3,728)	\$	10,500
Fiscal year 2006 restructuring actions		1,858		(240)		(1,059)		559
Fiscal year 2005 restructuring actions		8,027		(119)		(4,245)		3,663
Fiscal year 2004 and prior restructuring actions		1,810				(171)		1,639
Accrued restructuring	\$	17,029	\$	8,535	\$	(9,203)	\$	16,361

The Company recognized restructuring charges of \$10,368 for estimated lease termination costs associated with plant closures announced in the six months ended December 30, 2006, for facilities which were exited in the six months ended June 30, 2007.

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

(5) Income Taxes

The Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), during the six months ended June 30, 2007. As a result of the implementation of FIN 48, the Company recognized no adjustment in the liability for unrecognized income tax benefits. At the adoption date on December 31, 2006, the Company had \$3,267 of unrecognized tax benefits, all of which would affect the effective tax rate if recognized. As of June 30, 2007, the Company has \$5,534 of unrecognized tax benefits. Although it is not reasonably possible to estimate the amount by which these unrecognized tax benefits may increase or decrease within the next twelve months due to uncertainties regarding the timing of examinations and the amount of settlements that may be paid, if any, to tax authorities, the Company does not expect unrecognized tax benefits to significantly change in the next twelve months.

Under a tax sharing agreement entered into in connection with the spin off from Sara Lee on September 5, 2006, Sara Lee generally is liable for all U.S. federal, state, local and foreign income taxes attributable to the Company with respect to taxable periods ending on or before September 5, 2006. Sara Lee is also liable for income taxes attributable to the Company with respect to taxable periods beginning before September 5, 2006 and ending after September 5, 2006, but only to the extent those taxes are allocable to the portion of the taxable period ending on September 5, 2006.

The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. As of June 30, 2007, the Company had no accrual for interest and penalties.

For the second quarter and six months ended June 30, 2007, income taxes have been computed consistent with Accounting Principles Board Opinion No. 28, Interim Financial Reporting (APB 28) and FASB Interpretation No. 18, Accounting for Income Taxes in Interim Periods (FIN 18). For the second quarter and six months ended July 1, 2006, the Company's operations were included in the consolidated income tax returns of Sara Lee. Income taxes were calculated and provided for by the Company on a separate return basis for each quarterly period prior to the spin off from Sara Lee on September 5, 2006.

The difference in the effective tax rate of 30.0% for the second quarter and six months ended June 30, 2007 and the U.S. statutory rate of 35.0% is primarily attributable to unremitted earnings of foreign subsidiaries taxed at rates less than the U.S. statutory rate and federal tax credits. The difference in the effective tax rate of 20.0% for the second quarter and six months ended July 1, 2006 and the U.S. statutory rate of 35.0% is primarily attributable to tax incentives for manufacturing in Puerto Rico, which were repealed effective for the Company's tax year commencing after July 1, 2006, and unremitted earnings of foreign subsidiaries taxed at rates less than the U.S. statutory rate.

(6) Comprehensive Income

SFAS No. 130, Reporting Comprehensive Income, requires that all components of comprehensive income, including net income, be reported in the financial statements in the period in which they are recognized. Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Net income and other comprehensive income, including foreign currency translation adjustments, amounts amortized into net periodic benefit cost as required by SFAS No. 158, Employers' Accounting for Defined

Benefit Pension and Other Postretirement Plans, and unrealized gains and

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

losses on qualifying cash flow hedges, are combined, net of their related tax effect, to arrive at comprehensive income. The Company's comprehensive income is as follows:

	Quarter Ended		Six Months Ended	
	June 30,	July 1,	June 30,	July 1,
	2007	2006	2007	2006
Net income	\$ 25,434	\$ 59,285	\$ 37,438	\$ 133,877
Translation adjustments	7,161	8,054	7,634	8,212
Net unrealized gain (loss) on qualifying cash flow hedges, net of tax	6,625	(2,751)	4,294	(3,116)
Amounts amortized into net periodic benefit cost:				
Prior service benefit	(1,223)		(2,446)	
Actuarial loss	573		1,147	
Comprehensive income	\$ 38,570	\$ 64,588	\$ 48,067	\$ 138,973

(7) Inventories

Inventories consisted of the following:

	June 30,	December 30,
	2007	2006
Raw materials	\$ 151,860	\$ 111,503
Work in process	226,909	197,645
Finished goods	855,018	907,353
	\$ 1,233,787	\$ 1,216,501

(8) Defined Benefit Pension Plans

Prior to the spin off from Sara Lee on September 5, 2006, employees who met certain eligibility requirements participated in defined benefit pension plans sponsored by Sara Lee. The annual cost of the Sara Lee defined benefit plans was allocated from Sara Lee to all of the participating businesses based upon a specific actuarial computation which was followed consistently. Effective as of January 1, 2006, the Company created the Hanesbrands Inc. Pension and Retirement Plan (the Hanesbrands Pension Plan), a new defined benefit plan under which all benefits were frozen to receive assets and liabilities accrued under the Sara Lee Pension Plan that are attributable to current and former

Company employees. In connection with the spin off on September 5, 2006, the Company assumed all Sara Lee's obligations under pension plans to the extent related to the Company's current and former employees. In addition to the Hanesbrands Pension Plan, the Company sponsors two noncontributory defined benefit plans, the Playtex Apparel, Inc. Pension Plan (the Playtex Plan) and the National Textiles LLC Pension Plan (the National Textiles Plan), for certain qualifying individuals.

As of June 30, 2007, assets estimated to represent approximately 75% of the total assets for the Hanesbrands Pension Plan have been transferred from Sara Lee's master trust to the master trust maintained by the Company. A final transfer of assets from Sara Lee's master trust to the master trust maintained by the Company will occur later in fiscal 2007 once the allocation of assets and liabilities has been completed in accordance with governmental regulations. The fair value of plan assets represents a best estimate based upon a percentage allocation of total assets of Sara Lee's master trust and will be adjusted once the final transfer is made, with an adjustment to the liability.

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

The obligations and costs related to these plans are included in the Company's Condensed Consolidated Financial Statements as of June 30, 2007.

The pension expense incurred by the Company for these defined benefit plans is as follows:

	Quarter Ended		Six Months Ended	
	June 30,	July 1,	June 30,	July 1,
	2007	2006	2007	2006
Participation in Sara Lee sponsored defined benefit plans	\$	\$ 5,540	\$	\$ 5,459
Hanesbrands sponsored defined benefit plans	1,132		2,262	
Playtex Apparel, Inc. Pension Plan	(34)	(58)	(67)	(117)
National Textiles LLC Pension Plan	(85)	(265)	(169)	(530)
Total pension plan expense	\$ 1,013	\$ 5,217	\$ 2,026	\$ 4,812

For the second quarter and six months ended June 30, 2007, the components of the Company's noncontributory defined benefit plans net periodic benefit cost were as follows:

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2007		2007	
Service cost	\$	331	\$	661
Interest cost		12,415		24,829
Expected return on assets		(12,423)		(24,845)
Amortization of :				
Prior service cost		11		22
Net actuarial loss		679		1,359
Net periodic cost	\$	1,013	\$	2,026

During the first quarter ended March 31, 2007, the Company made a discretionary contribution of \$41,900, which, when combined with the payment made in December 2006, satisfies the 2007 minimum funding requirement for the pension plans.

(9) Postretirement Healthcare and Life Insurance Plans

Prior to the spin off from Sara Lee on September 5, 2006, employees who met certain eligibility requirements participated in post-retirement healthcare and life insurance sponsored by Sara Lee. The annual cost of the Sara Lee postretirement healthcare and life insurance plans was allocated from Sara Lee to all of the participating businesses based upon a specific actuarial computation which was followed consistently. In connection with the spin off on September 5, 2006, the Company assumed all Sara Lee's obligations under postretirement plans to the extent related to the Company's current and former employees. The obligations and costs related to these plans are included in the Company's Condensed Consolidated Financial Statements as of June 30, 2007.

In December 2006, the Company changed the postretirement plan benefits to (a) pass along a higher share of retiree medical costs to all retirees effective February 1, 2007, (b) eliminate company contributions toward premiums for retiree medical coverage effective December 1, 2007, (c) eliminate retiree medical coverage options for all current and future retirees age 65 and older and (d) eliminate future postretirement life benefits. Gains associated with these amendments are currently being amortized and the Company expects

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Notes to Condensed Consolidated Financial Statements (Continued)
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to record a final gain on curtailment of plan benefits of approximately \$36,000 in December 2007 upon termination of the plans.

The postretirement plan expense (income) incurred by the Company for these postretirement plans is as follows:

	Quarter Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Participation in Sara Lee sponsored postretirement healthcare and life insurance plans	\$	\$ 1,474	\$	\$ 2,948
Hanesbrands postretirement healthcare and life insurance plans	(1,456)		(2,912)	
Total postretirement plan expense (income)	\$ (1,456)	\$ 1,474	\$ (2,912)	\$ 2,948

For the second quarter and six months ended June 30, 2007, the components of the Company's postretirement plans net periodic benefit income were as follows:

	Quarter Ended		Six Months Ended	
	June 30, 2007		June 30, 2007	
Service cost	\$	78	\$	156
Interest cost		224		448
Expected return on assets		(2)		(4)
Amortization of:				
Transition obligation		(3)		(5)
Prior service cost		(2,012)		(4,025)
Net actuarial loss		259		518
Net periodic income	\$	(1,456)	\$	(2,912)

(10) Long-Term Debt

In connection with the spin off on September 5, 2006, the Company entered into a \$2,150,000 senior secured credit facility (the Senior Secured Credit Facility), a \$450,000 senior secured second lien credit facility and a \$500,000 bridge loan facility (the Bridge Loan Facility). The Bridge Loan Facility was paid off in full through the issuance of

\$500,000 of floating rate senior notes in December 2006.

On February 22, 2007, the Company entered into a First Amendment (the "First Amendment") to the Senior Secured Credit Facility. Pursuant to the First Amendment, the applicable margin with respect to the \$1,400,000 Term B loan facility ("Term B Loan Facility") that comprises a part of the Senior Secured Credit Facility was reduced from 2.25% to 1.75% with respect to loans maintained as LIBO loans, and from 1.25% to 0.75% with respect to loans maintained as Base Rate loans. At the Company's option, borrowings under the Senior Secured Credit Facility may be maintained from time to time as (a) Base Rate loans, which bear interest at the higher of (i) 1/2 of 1% in excess of the federal funds rate and (ii) the rate published in the Wall Street Journal as the prime rate (or equivalent), in each case in effect from time to time, plus the applicable margin in effect from time to time, or (b) LIBOR based loans, which shall bear interest at the LIBO Rate (as defined in the Senior Secured Credit Facility and adjusted for maximum reserves), as determined by the Administrative Agent for the respective interest period plus the applicable margin in effect from time to time.

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HANESBRANDS

Notes to Condensed Consolidated Financial Statements (Continued)
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The First Amendment also provides that in the event that, prior to February 22, 2008, the Company: (i) incurs a new tranche of replacement loans constituting obligations under the Senior Secured Credit Facility having an effective interest rate margin less than the applicable margin for loans pursuant to the Term B Loan Facility (Term B Loans), the proceeds of which are used to repay or return, in whole or in part, principal of the outstanding Term B Loans, (ii) consummates any other amendment to the Senior Secured Credit Facility that reduces the applicable margin for the Term B Loans, or (iii) incurs additional Term B Loans having an effective interest rate margin less than the applicable margin for Term B Loans, the proceeds of which are used in whole or in part to prepay or repay outstanding Term B Loans, then in any such case, the Company will pay to the Administrative Agent, for the ratable account of each Lender with outstanding Term B Loans, a fee in an amount equal to 1.0% of the aggregate principal amount of all Term B Loans being replaced on such date immediately prior to the effectiveness of such transaction.

The Company incurred \$1,600 in debt issuance costs in connection with entering into the First Amendment which will be amortized over the life of the Term B Loan Facility.

During the second quarter and six months ended June 30, 2007, the Company recognized \$551 of loss on early extinguishment of debt related to unamortized debt issuance costs on the Senior Secured Credit Facility as a result of the prepayment of \$50,000 of principal in June 2007. This loss is reflected in the Other expenses line of the Condensed Consolidated Statements of Income.

(11) Business Segment Information

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

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

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

Outerwear sells basic branded products that are seasonal in nature under the product categories of casualwear and activewear.

Hosiery sells products in categories such as pantyhose and knee highs.

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

Other is comprised of sales of nonfinished products such as fabric and certain other materials in the United States, Asia and Latin America in order to maintain asset utilization at certain manufacturing facilities.

The accounting policies of the segments are consistent with those described in Note 2 to the Company's combined and consolidated financial statements included in its Report on Form 10-KT for the six months ended December 30, 2006.

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

	Quarter Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Net sales(1)(2):				
Innerwear	\$ 691,504	\$ 685,479	\$ 1,281,951	\$ 1,279,099
Outerwear	263,596	270,523	547,231	537,809
Hosiery	51,402	56,873	125,095	134,187
International	109,001	110,472	199,778	202,438
Other	17,644	8,292	33,042	25,289
Total segment net sales	1,133,147	1,131,639	2,187,097	2,178,822
Intersegment	(11,240)	(11,506)	(25,296)	(25,829)
Total net sales	\$ 1,121,907	\$ 1,120,133	\$ 2,161,801	\$ 2,152,993

	Quarter Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Segment operating profit:				
Innerwear	\$ 104,680	\$ 88,472	\$ 180,648	\$ 167,520
Outerwear	12,302	20,092	18,402	35,994
Hosiery	14,134	1,139	34,179	13,076
International	16,927	13,545	24,705	22,563
Other	1,064	(522)	289	(643)
Total segment operating profit	149,107	122,726	258,223	238,510
Items not included in segment operating profit:				
General corporate expenses	(19,892)	(41,436)	(37,069)	(57,138)
Amortization of trademarks and other identifiable intangibles	(1,514)	(2,426)	(3,074)	(4,986)
Restructuring	(26,225)	1,046	(42,471)	(238)
Accelerated depreciation in cost of sales	(12,413)		(17,680)	
Accelerated depreciation in selling, general and administrative expenses	(948)		(948)	
Total operating profit	88,115	79,910	156,981	176,148
Other expenses	(551)		(551)	
Interest expense, net	(51,230)	(5,768)	(102,947)	(8,868)

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Income before income tax expense	\$ 36,334	\$ 74,142	\$ 53,483	\$ 167,280
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Notes to Condensed Consolidated Financial Statements (Continued)
(dollars and shares in thousands, except per share data)
(unaudited)

	June 30, 2007	December 30, 2006
Assets:		
Innerwear	\$ 1,393,884	\$ 1,354,183
Outerwear	765,253	761,653
Hosiery	94,107	110,400
International	217,784	222,561
Other	21,299	21,798
	2,492,327	2,470,595
Corporate(3)	986,134	965,025
Total assets	\$ 3,478,461	\$ 3,435,620

	Quarter Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Depreciation expense for fixed assets:				
Innerwear	\$ 10,022	\$ 14,860	\$ 24,385	\$ 26,352
Outerwear	4,368	4,912	9,488	10,552
Hosiery	2,318	2,849	4,622	6,086
International	1,139	81	1,877	559
Other	597	811	1,248	1,723
	18,444	23,513	41,620	45,272
Corporate	18,135	4,715	21,569	9,491
Total depreciation expense for fixed assets	\$ 36,579	\$ 28,228	\$ 63,189	\$ 54,763

	Quarter Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Additions to long-lived assets:				
Innerwear	\$ 3,341	\$ 2,628	\$ 5,537	\$ 4,167
Outerwear	297	10,325	1,406	17,204

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Hosiery	645	18	804	71
International	493	1,628	831	1,771
Other	10	65	17	161
	4,786	14,664	8,595	23,374
Corporate	6,108	24,079	9,693	36,484
Total additions to long-lived assets	\$ 10,894	\$ 38,743	\$ 18,288	\$ 59,858

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

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

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

	Quarter Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Innerwear	\$ 1,662	\$ 880	\$ 3,387	\$ 3,733
Outerwear	4,981	4,685	11,779	9,427
Hosiery	3,744	4,867	8,568	10,678
International	853	1,074	1,562	1,991
Other				
Total	\$ 11,240	\$ 11,506	\$ 25,296	\$ 25,829

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

(12) Consolidating Financial Information

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

- (i) Parent Company (Hanesbrands Inc. without its subsidiaries or divisions), the issuer of the guaranteed obligations;
- (ii) Divisional entities, on a combined basis, representing operating divisions 100% owned by Parent Company;
- (iii) Guarantor subsidiaries, on a combined basis, as specified in the indenture governing the Floating Rate Senior Notes;
- (iv) Non-guarantor subsidiaries, on a combined basis;
- (v) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among Parent Company, the guarantor subsidiaries and the non-guarantor subsidiaries, (b) eliminate intercompany profit in inventory, (c) eliminate the investments in our subsidiaries and (d) record consolidating entries; and
- (vi) Parent Company, on a consolidated basis.

As described in Note 1 to the Company's Combined and Consolidated Financial Statements included in its Report on Form 10-KT for the six months ended December 30, 2006, a separate legal entity did not exist for Parent Company prior to the spin off from Sara Lee because a direct ownership relationship did not exist among the various units

comprising the Branded Apparel Americas and Asia Business. In connection with the spin off from Sara Lee, each guarantor subsidiary became a wholly owned direct or indirect subsidiary of Parent Company as of September 5, 2006. Therefore, a parent company entity is not presented for fiscal periods prior to the spin-off.

The Floating Rate Senior Notes are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary. Each entity in the consolidating financial information follows the same accounting policies as described in the Company's Combined and Consolidated Financial Statements included in its Report on Form 10-KT for the six months ended December 30, 2006, except for the use by the parent company and guarantor subsidiaries of the equity method of accounting to reflect ownership interests in subsidiaries which are eliminated upon consolidation.

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

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

Condensed Consolidating Statement of Income
Quarter Ended June 30, 2007

	Parent Company (*)	Divisional Entities	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$	\$ 1,098,747	\$ 256,245	\$ 613,398	\$ (846,483)	\$ 1,121,907
Cost of sales		814,234	196,298	535,847	(804,829)	741,550
Gross profit		284,513	59,947	77,551	(41,654)	380,357
Selling, general and administrative expenses		240,564	(998)	31,757	(5,306)	266,017
Restructuring		26,660	(572)	137		26,225
Operating profit (loss)		17,289	61,517	45,657	(36,348)	88,115
Equity in earnings (loss) of subsidiaries	25,434		42,758		(68,192)	
Other expenses		551				551
Interest expense, net		40,802	10,628	(203)	3	51,230
Income (loss) before income tax expense (benefit)	25,434	(24,064)	93,647	45,860	(104,543)	36,334
Income tax expense (benefit)			13,198	(2,298)		10,900
Net income (loss)	\$ 25,434	\$ (24,064)	\$ 80,449	\$ 48,158	\$ (104,543)	\$ 25,434

* Parent Company refers to Hanesbrands Inc. without its subsidiaries or divisions.

Condensed Consolidating Statement of Income
Quarter Ended July 1, 2006
Consolidating

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	Divisional Entities	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Entries and Eliminations	Consolidated
Net sales	\$ 1,131,314	\$ 157,109	\$ 592,004	\$ (760,294)	\$ 1,120,133
Cost of sales	789,081	218,929	502,753	(772,091)	738,672
Gross profit	342,233	(61,820)	89,251	11,797	381,461
Selling, general and administrative expenses	196,597	44,646	30,017	31,337	302,597
Restructuring	392	(48)	(1,390)		(1,046)
Operating profit (loss)	145,244	(106,418)	60,624	(19,540)	79,910
Equity in earnings (loss) of subsidiaries		50,508		(50,508)	
Interest expense, net	297	2,521	3,013	(63)	5,768
Income (loss) before income tax expense	144,947	(58,431)	57,611	(69,985)	74,142
Income tax expense		13,266	1,591		14,857
Net income (loss)	\$ 144,947	\$ (71,697)	\$ 56,020	\$ (69,985)	\$ 59,285

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

Condensed Consolidating Statement of Income
Six Months Ended June 30, 2007

	Parent Company (*)	Divisional Entities	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$	\$ 2,141,450	\$ 488,365	\$ 1,183,575	\$ (1,651,589)	\$ 2,161,801
Cost of sales		1,620,139	380,103	1,039,052	(1,597,529)	1,441,765
Gross profit		521,311	108,262	144,523	(54,060)	720,036
Selling, general and administrative expenses		461,411	1,488	57,369	316	520,584
Restructuring		42,561	(572)	482		42,471
Operating profit (loss)		17,339	107,346	86,672	(54,376)	156,981
Equity in earnings (loss) of subsidiaries	37,438		72,726		(110,164)	
Other expenses		551				551
Interest expense, net		82,244	21,267	(560)	(4)	102,947
Income (loss) before income tax expense	37,438	(65,456)	158,805	87,232	(164,536)	53,483
Income tax expense			13,638	2,407		16,045
Net income (loss)	\$ 37,438	\$ (65,456)	\$ 145,167	\$ 84,825	\$ (164,536)	\$ 37,438

* Parent Company refers to Hanesbrands Inc. without its subsidiaries or divisions.

Condensed Consolidating Statement of Income
Six Months Ended July 1, 2006

		Divisional Entities	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net sales	\$	\$ 2,236,187	\$ 441,345	\$ 1,253,097	\$ (1,777,636)	\$ 2,152,993
Cost of sales		1,738,790	443,311	1,032,397	(1,783,858)	1,430,640

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Gross profit	497,397	(1,966)	220,700	6,222	722,353
Selling, general and administrative expenses	374,966	83,938	54,194	32,869	545,967
Restructuring	813	(51)	(524)		238
Operating profit (loss)	121,618	(85,853)	167,030	(26,647)	176,148
Equity in earnings (loss) of subsidiaries		148,804		(148,804)	
Interest expense, net	847	4,776	3,308	(63)	8,868
Income (loss) before income tax expense	120,771	58,175	163,722	(175,388)	167,280
Income tax expense		29,729	3,674		33,403
Net income (loss)	\$ 120,771	\$ 28,446	\$ 160,048	\$ (175,388)	\$ 133,877

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

Condensed Consolidating Balance Sheet
June 30, 2007

	Parent Company (*)	Divisional Entities	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets						
Cash and cash equivalents	\$	\$ 49,182	\$ 7,090	\$ 120,121	\$	\$ 176,393
Trade accounts receivable		462,270	16,987	78,087	(1,469)	555,875
Inventories		986,458	112,703	269,296	(134,670)	1,233,787
Deferred tax assets and other current assets		37,703	135,448	20,564	6	193,721
Total current assets		1,535,613	272,228	488,068	(136,133)	2,159,776
Property, net		248,962	83,208	170,882		503,052
Trademarks and other identifiable intangibles, net		12,589	111,720	14,405		138,714
Goodwill		205,493	16,935	59,216		281,644
Investments in subsidiaries	129,437		614,995		(744,432)	
Deferred tax assets and other noncurrent assets		(312,975)	963,483	(126,400)	(128,833)	395,275
Total assets	\$ 129,437	\$ 1,689,682	\$ 2,062,569	\$ 606,171	\$ (1,009,398)	\$ 3,478,461
Liabilities and Stockholders Equity						
Accounts payable	\$	\$ 185,222	\$ 17,519	\$ 51,302	\$	\$ 254,043
Accrued liabilities		260,872	29,218	63,438	44,898	398,426
Notes payable to banks				13,291		13,291
Current portion of long-term debt						
Total current liabilities		446,094	46,737	128,031	44,898	665,760

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Long-term debt		1,990,250	450,000			2,440,250
Other noncurrent liabilities		204,784	26,222	7,845	4,163	243,014
Total liabilities		2,641,128	522,959	135,876	49,061	3,349,024
Stockholders equity	129,437	(951,446)	1,539,610	470,295	(1,058,459)	129,437
Total liabilities and stockholders equity	\$ 129,437	\$ 1,689,682	\$ 2,062,569	\$ 606,171	\$ (1,009,398)	\$ 3,478,461

* Parent Company refers to Hanesbrands Inc. without its subsidiaries or divisions.

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

Condensed Consolidating Balance Sheet
December 30, 2006

	Parent Company (*)	Divisional Entities	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Assets						
Cash and cash equivalents	\$	\$ 60,960	\$ 154	\$ 94,859	\$	\$ 155,973
Trade accounts receivable		408,751	9,369	70,509		488,629
Inventories		959,274	128,773	226,188	(97,734)	1,216,501
Deferred tax assets and other current assets		55,481	142,183	27,329	(14,916)	210,077
Total current assets		1,484,466	280,479	418,885	(112,650)	2,071,180
Property, net		298,755	96,147	161,964		556,866
Trademarks and other identifiable intangibles, net		13,301	114,205	9,675		137,181
Goodwill		213,376	16,935	51,214		281,525
Investments in subsidiaries	69,271		537,609		(606,880)	
Deferred tax assets and other noncurrent assets		144,281	233,608	245,879	(234,900)	388,868
Total assets	\$ 69,271	\$ 2,154,179	\$ 1,278,983	\$ 887,617	\$ (954,430)	\$ 3,435,620
Liabilities and Stockholders Equity						
Accounts payable	\$	\$ 162,281	\$ 20,109	\$ 44,855	\$ (4,704)	\$ 222,541
Accrued liabilities		189,243	29,784	292,788	(146,814)	365,001
Notes payable to banks				14,264		14,264
Current portion of long-term debt		9,375				9,375
Total current liabilities		360,899	49,893	351,907	(151,518)	611,181
Long-term debt		2,034,000	450,000			2,484,000
		238,271	20,525	8,567	3,805	271,168

Other noncurrent liabilities

Total liabilities		2,633,170	520,418	360,474	(147,713)	3,366,349
Stockholders equity	69,271	(478,991)	758,565	527,143	(806,717)	69,271
Total liabilities and stockholders equity	\$ 69,271	\$ 2,154,179	\$ 1,278,983	\$ 887,617	\$ (954,430)	\$ 3,435,620

* Parent Company refers to Hanesbrands Inc. without its subsidiaries or divisions.

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

Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2007

	Parent Company (*)	Divisional Entities	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$	\$ 12,879	\$ 145,067	\$ 181,229	\$ (237,617)	\$ 101,558
Investing activities:						
Purchases of property and equipment		(12,831)	(1,410)	(4,047)		(18,288)
Proceeds from sales of assets		5,272	2,311	615		8,198
Other		12,602	1,381	(9,077)	(6,301)	(1,395)
Net cash provided by (used in) investing activities		5,043	2,282	(12,509)	(6,301)	(11,485)
Financing activities:						
Principal payments on capital lease obligations		(562)	(26)			(588)
Borrowings on notes payable to banks				14,038		14,038
Repayments on notes payable to banks				(15,483)		(15,483)
Cost of debt issuance		(2,172)	(71)			(2,243)
Repayment of debt under credit facilities		(53,125)				(53,125)
Decrease in bank overdraft				(834)		(834)
Proceeds from stock options exercised		2,803				2,803
Share repurchases		(15,885)				(15,885)
Other		613				613
Net transactions with related entities		38,628	(140,316)	(142,230)	243,918	
Net cash provided by (used in) financing activities		(29,700)	(140,413)	(144,509)	243,918	(70,704)
Effect of changes in foreign exchange rates on cash				1,051		1,051

Increase (decrease) in cash and cash equivalents	(11,778)	6,936	25,262	20,420
Cash and cash equivalents at beginning of year	60,960	154	94,859	155,973
Cash and cash equivalents at end of period	\$ 49,182	\$ 7,090	\$ 120,121	\$ 176,393

* Parent Company refers to Hanesbrands Inc. without its subsidiaries or divisions.

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

Condensed Consolidating Statement of Cash Flows
Six Months Ended July 1, 2006

	Divisional Entities	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Entries and Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 661,547	\$ 261,927	\$ 572,795	\$ (1,352,695)	\$ 143,574
Investing activities:					
Purchases of property and equipment	(38,780)	(3,678)	(17,400)		(59,858)
Proceeds from sales of assets	1,966	74	298		2,338
Other	137	301	(757)	(118)	(437)
Net cash used in investing activities	(36,677)	(3,303)	(17,859)	(118)	(57,957)
Financing activities:					
Principal payments on capital lease obligations	(2,863)	(289)			(3,152)
Borrowings on notes payable to banks			4,132		4,132
Repayments on notes payable to banks			(68,070)		(68,070)
Increase in bank overdrafts		275,385			275,385
Borrowings (repayments) on notes payable to related entities	(5,988)	20,537	(5,825)		8,724
Net transactions with parent companies	(91,077)	(1,114,759)	(425,345)	1,352,813	(278,368)
Net transactions with related entities	(239,640)				(239,640)
Net cash provided by (used in) financing activities	(339,568)	(819,126)	(495,108)	1,352,813	(300,989)
Effect of changes in foreign exchange rates on cash			2,992		2,992
Increase (decrease) in cash and cash equivalents	285,302	(560,502)	62,820		(212,380)

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Cash and cash equivalents at beginning of year	(24,248)	292,264	242,616	510,632
Cash and cash equivalents at end of period	\$ 261,054	\$ (268,238)	\$ 305,436	\$ 298,252

Table of Contents**HANESBRANDS**

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

(13) Issued But Not Yet Effective Accounting Standards***Fair Value Measurements***

The FASB has issued SFAS No. 157, Fair Value Measurements (SFAS 157), which provides guidance for using fair value to measure assets and liabilities. The standard also responds to investors' requests for more information about (1) the extent to which companies measure assets and liabilities at fair value, (2) the information used to measure fair value, and (3) the effect that fair-value measurements have on earnings. SFAS 157 will apply whenever another standard requires (or permits) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value to any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact, if any, of SFAS 157 on its results of operations and financial position.

Pension and Other Postretirement Benefits

In September 2006, the FASB issued SFAS No. 158, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans (an amendment of FASB Statements No. 87, 88, 106, and 132R) (SFAS 158). SFAS 158 requires an employer to recognize in its statement of financial position an asset for a plan's over funded status or a liability for a plan's under funded status, measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions), and recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in accumulated other comprehensive loss and as a separate component of stockholders' equity. The Company adopted the provision to recognize the funded status of a benefit plan and the disclosure requirements during the six months ended December 30, 2006. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end is effective for fiscal years ending after December 15, 2008. The Company plans to adopt the measurement date provision in fiscal 2007.

Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The provisions of SFAS 159 become effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact that SFAS 159 will have on its results of operations and financial position.

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

This management's discussion and analysis of financial condition and results of operations, or MD&A, contains forward-looking statements that involve risks and uncertainties. Please see *Forward-Looking Statements* for a discussion of the uncertainties, risks and assumptions associated with these statements. This discussion should be read in conjunction with our historical financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q. The unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with our audited combined and consolidated financial statements and notes for the six month period ended December 30, 2006, which were included in our Report on Form 10-KT filed with the Securities and Exchange Commission. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those included elsewhere in this Quarterly Report on Form 10-Q and those included in our Report on Form 10-KT.

Overview

We are a consumer goods company with a portfolio of leading apparel brands, including *Hanes*, *Champion*, *Playtex*, *Bali*, *Just My Size*, *barely there* and *Wonderbra*. We design, manufacture, source and sell a broad range of apparel essentials such as t-shirts, bras, panties, men's underwear, kids' underwear, socks, hosiery, casualwear and activewear. Our brands hold either the number one or number two U.S. market position by sales in most product categories in which we compete.

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

Innerwear. The Innerwear segment focuses on core apparel essentials, and consists of products such as women's intimate apparel, men's underwear, kids' underwear, socks, thermals and sleepwear, marketed under well-known brands that are trusted by consumers. We are an intimate apparel category leader in the United States with our *Hanes*, *Playtex*, *Bali*, *barely there*, *Just My Size*, and *Wonderbra* brands. We are also a leading manufacturer and marketer of men's underwear and kids' underwear under the *Hanes* and *Champion* brand names. Our net sales for the six months ended June 30, 2007 from our Innerwear segment were \$1.3 billion, representing approximately 59% of total segment net sales.

Outerwear. We are a leader in the casualwear and activewear markets through our *Hanes*, *Champion* and *Just My Size* brands, where we offer products such as t-shirts and fleece. Our casualwear lines offer a range of quality, comfortable clothing for men, women and children marketed under the *Hanes* and *Just My Size* brands. The *Just My Size* brand offers casual apparel designed exclusively to meet the needs of plus-size women. In addition to activewear for men and women, *Champion* provides uniforms for athletic programs and includes an apparel program at Target stores, *C9 by Champion*. We also license our *Champion* name for collegiate apparel and footwear. We also supply our t-shirts, sportshirts and fleece products primarily to wholesalers, who then resell to screen printers and embellishers. Our net sales for the six months ended June 30, 2007 from our Outerwear segment were \$547 million, representing approximately 25% of total segment net sales.

Hosiery. We are the leading marketer of women's sheer hosiery in the United States. We compete in the hosiery market by striving to offer superior values and executing integrated marketing activities, as well as

focusing on the style of our hosiery products. We market hosiery products under our *Hanes*, *L eggs* and *Just My Size* brands. Our net sales for the six months ended June 30, 2007 from our Hosiery segment were \$125 million, representing approximately 6% of total segment net sales. In light of a sustained decline in the hosiery industry due to changes in consumer preferences, our net sales from hosiery sales have declined each year since 1995.

International. International includes products that span across the Innerwear, Outerwear and Hosiery reportable segments. Our net sales for the six months ended June 30, 2007 in our International segment were \$200 million, representing approximately 9% of total segment net sales and included sales in

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Europe, Asia, Canada and Latin America. Japan, Canada and Mexico are our largest international markets and we also have sales offices in India and China.

Other. Our net sales for the six months ended June 30, 2007 in our Other segment were \$33 million, representing approximately 1% of total segment net sales and are comprised of sales of nonfinished products such as fabric and certain other materials in the United States, Asia and Latin America in order to maintain asset utilization at certain manufacturing facilities.

Our operating results are subject to some variability. Generally, our diverse range of product offerings helps mitigate the impact of seasonal changes in demand for certain items. Sales are typically higher in the last two quarters (July to December) of each fiscal year. Socks, hosiery and fleece products generally have higher sales during this period as a result of cooler weather, back-to-school shopping and holidays. Sales levels in a period are also impacted by customers' decisions to increase or decrease their inventory levels in response to anticipated consumer demand. Our customers may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice to us. Our results of operations are also impacted by the timing of actual spending for our media, advertising and promotion expenses. These expenses may vary from period to period during a fiscal year depending on the timing of our advertising campaigns for retail selling seasons and product introductions.

Highlights from the Second Quarter and Six Months Ended June 30, 2007

Total net sales in the second quarter of 2007 were higher by \$2 million at \$1.12 billion compared to the same quarter in 2006. Total net sales for the six month period in 2007 were higher by \$9 million at \$2.16 billion compared to the same six month period in 2006.

Operating profit was \$88 million in the second quarter of 2007, up from \$80 million in the same quarter in 2006, and was \$157 million in the six month period in 2007, compared with \$176 million in the same six month period in 2006. The higher operating profit in the second quarter of 2007 compared to the same quarter in 2006 is primarily attributable to lower selling, general and administrative expenses and savings from our cost reduction initiatives and prior restructuring actions partially offset by higher restructuring charges and lower gross profit. The lower operating profit in the six month period in 2007 compared to the same six month period in 2006 is primarily attributable to higher restructuring charges and lower gross profit partially offset by lower selling, general and administrative expenses and savings from our cost reduction initiatives and prior restructuring actions.

Net income was \$25 million in the second quarter of 2007, down from \$59 million in the same quarter in 2006, and was \$37 million in the six month period in 2007, compared with \$134 million in the same six month period in 2006. The lower net income reflected higher interest expense and a higher effective income tax rate as a result of our independent structure, as well as higher restructuring and related charges.

Using cash flow from operating activities, we paid down long-term debt by \$53 million, of which \$50 million was a prepayment, and repurchased \$16 million of company stock during the second quarter of 2007.

Using cash flow from operating activities, we made a voluntary \$42 million pension contribution in the six month period in 2007, reducing our underfunded liability for qualified pension plans to approximately \$131 million. Our qualified pension plan liability is now approximately 84% funded.

In the six month period in 2007, we entered into a first amendment to our senior secured credit facility with our lenders which primarily lowered the borrowing applicable margin with respect to the Term B loan facility from 2.25% to 1.75% on LIBOR based loans and from 1.25% to 0.75% on Base Rate loans.

We approved actions to close 14 manufacturing facilities and two distribution centers in the United States, Canada, the Dominican Republic, Mexico and Puerto Rico during the six month period in 2007. In addition, we completed previously announced actions in the six month period in 2007. The net impact of these actions was to reduce income before taxes for the six month period in 2007 by \$61 million.

Table of Contents**Condensed Consolidated Results of Operations Second Quarter Ended June 30, 2007 Compared with Second Quarter Ended July 1, 2006**

	Quarter Ended		Higher	Percent
	June 30,	July 1, 2006	(Lower)	Change
	(dollars in thousands)			
Net sales	\$ 1,121,907	\$ 1,120,133	\$ 1,774	0.2%
Cost of sales	741,550	738,672	2,878	0.4
Gross profit	380,357	381,461	(1,104)	(0.3)
Selling, general and administrative expenses	266,017	302,597	(36,580)	(12.1)
Restructuring	26,225	(1,046)	27,271	NM
Operating profit	88,115	79,910	8,205	10.3
Other expenses	551		551	NM
Interest expense, net	51,230	5,768	45,462	788.2
Income before income tax expense	36,334	74,142	(37,808)	(51.0)
Income tax expense	10,900	14,857	(3,957)	(26.6)
Net income	\$ 25,434	\$ 59,285	\$ (33,851)	(57.1)%

Net Sales

	Quarter Ended		Higher	Percent
	June 30, 2007	July 1, 2006	(Lower)	Change
	(dollars in thousands)			
Net sales	\$ 1,121,907	\$ 1,120,133	\$ 1,774	0.2%

Consolidated net sales were higher by \$2 million or 0.2% in the second quarter of 2007 compared to the same quarter in 2006. The higher net sales were partially due to growth in sales volume in *Hanes* underwear and intimate apparel brand sales and *Champion* activewear brand sales. The higher net sales were offset primarily by lower *Playtex* brand sales and lower sales of promotional t-shirts sold primarily through our embellishment channel. Our *Hanes* intimate apparel brand sales were higher primarily as a result of the *Hanes All-Over Comfort Bra* that was introduced recently in a new national television, print and Internet advertising campaign.

Our Innerwear and Other segments net sales were higher by \$6 million and \$9 million, respectively, and were offset by lower net sales in Outerwear of \$7 million, Hosiery of \$5 million and International segment net sales of \$1 million. The higher net sales from our Other segment primarily resulted from an immaterial change in the way we recognized sales to third party suppliers in the same quarter in 2006. The full year change was reflected in the same quarter in 2006 with an \$8 million impact on net sales and minimal impact on net income.

We expect the trend of declining hosiery sales to continue as a result of shifts in consumer preferences, which is consistent with the sustained decline in the overall hosiery industry.

Gross Profit

	Quarter Ended		Higher	Percent
	June 30, 2007	July 1, 2006	(Lower)	Change
	(dollars in thousands)			
Gross profit	\$ 380,357	\$ 381,461	\$ (1,104)	(0.3)%

As a percent of net sales, our gross profit percentage was 33.9% in the second quarter of 2007 compared to 34.1% in the same quarter in 2006. The lower gross profit percentage was primarily due to accelerated depreciation of \$12 million and higher cotton costs of \$8 million, offset by lower allocations of overhead costs

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of \$8 million and \$6 million of savings from our cost reduction initiatives and prior restructuring actions. Cotton prices, which were approximately 45 cents per pound in the first half of 2006, have returned to the historical average of approximately 55 cents per pound in the second half of calendar 2006 and the first half of 2007. The accelerated depreciation was a result of facilities closed or that will be closed in connection with our consolidation and globalization strategy. In addition, we experienced lower duty costs primarily attributable to refunds received of approximately \$5 million in the second quarter of 2007 related to duties paid several years ago.

Selling, General and Administrative Expenses

	Quarter Ended		Higher	Percent
	June 30, 2007	July 1, 2006	(Lower)	Change
	(dollars in thousands)			
Selling, general and administrative expenses	\$ 266,017	\$ 302,597	\$ (36,580)	(12.1)%

Selling, general and administrative expenses were \$37 million lower in the second quarter of 2007 compared to the same quarter in 2006. Our expenses were lower in the second quarter of 2007 primarily due to lower spin off and related charges of \$14 million, lower distribution expenses of \$8 million, one time non-recurring benefit in the prior year quarter of \$7 million for adjustments relating to the spin off from Sara Lee, \$2 million of amortization of gain on curtailment of postretirement benefits and lower stand alone expenses associated with being an independent company of \$2 million. In addition, our media, advertising and promotion expenses were lower by \$14 million in the second quarter 2007 compared to the same quarter in 2006. The lower media, advertising and promotion expenses are primarily non-media related and may vary from period to period due to timing of actual spending during the full year 2007 versus 2006. The lower non-media expenses are primarily attributable to cost reduction initiatives and better deployment of these resources. Our lower expenses were partially offset by lower allocations to inventory cost of \$8 million and higher technology consulting expenses of \$4 million.

Restructuring

	Quarter Ended		Higher	Percent
	June 30, 2007	July 1, 2006	(Lower)	Change
	(dollars in thousands)			
Restructuring	\$ 26,225	\$ (1,046)	\$ 27,271	NM

During the second quarter of 2007, we approved actions to close 12 manufacturing facilities affecting approximately 6,400 employees in Canada, the Dominican Republic, Mexico and the United States while moving production to lower-cost operations in Central America and Asia. In addition, approximately 350 management and administrative positions will be eliminated, with the majority of these positions based in the United States. These actions resulted in a charge of \$28 million, representing costs associated with the planned termination of 6,750 employees, primarily attributable to employee and other termination benefits recognized in accordance with benefit plans previously communicated to the affected employee group. In connection with our consolidation and globalization strategy, a charge of \$12 million and \$1 million, respectively, of accelerated depreciation of buildings and equipment for facilities that have been closed or will be closed is reflected in the Cost of sales and Selling, general and administrative expenses lines of the Condensed Consolidated Statement of Income. The second quarter actions are expected to be completed by the end of our first quarter 2008. These actions, which are a continuation of our consolidation and globalization strategy, are expected to result in benefits of moving production to lower-cost

manufacturing facilities, leveraging our large scale in high-volume products and consolidating production capacity.

Operating Profit

	Quarter Ended		Higher	Percent
	June 30, 2007	July 1, 2006	(Lower)	Change
	(dollars in thousands)			
Operating profit	\$ 88,115	\$ 79,910	\$ 8,205	10.3%

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Operating profit was higher in the second quarter of 2007 by \$8 million compared to the same quarter in 2006 primarily as a result of lower selling, general and administrative expenses of \$37 million, partially offset by higher restructuring charges for facility closures of \$27 million and lower gross profit of \$1 million. Our higher expenses were partially offset by savings from our cost reduction initiatives and prior restructuring actions as described above.

Other Expenses

	Quarter Ended June 30, 2007	Quarter Ended July 1, 2006	Higher (Lower)	Percent Change
	(dollars in thousands)			
Other expenses	\$ 551	\$	\$ 551	NM

We recognized a loss on early extinguishment of debt related to unamortized debt issuance costs on the Senior Secured Credit Facility for the prepayment of \$50 million of principal in June 2007.

Interest Expense, net

	Quarter Ended June 30, 2007	Quarter Ended July 1, 2006	Higher (Lower)	Percent Change
	(dollars in thousands)			
Interest expense, net	\$ 51,230	\$ 5,768	\$ 45,462	788.2%

Interest expense, net was higher by \$45 million in the second quarter of 2007 compared to the same quarter in 2006 primarily as a result of the indebtedness incurred in connection with the spin off from Sara Lee on September 5, 2006, consisting of \$2.6 billion pursuant to a new senior secured credit facility, a new senior secured second lien credit facility and a bridge loan facility. In December 2006, we issued \$500 million of floating rate senior notes and the net proceeds were used to repay the bridge loan facility.

Income Tax Expense

	Quarter Ended June 30, 2007	Quarter Ended July 1, 2006	Higher (Lower)	Percent Change
	(dollars in thousands)			
Income tax expense	\$ 10,900	\$ 14,857	\$ (3,957)	(26.6)%

Our effective income tax rate was 30.0% in the second quarter of 2007 compared to 20.0% in the same quarter in 2006. The higher effective tax rate as an independent company is attributable primarily to the expiration of tax incentives for manufacturing in Puerto Rico, which were repealed effective after our tax year commencing after July 1, 2006 and lower unremitted earnings from foreign subsidiaries in the second quarter of 2007 taxed at rates less than the U.S. statutory rate.

Net Income

	Quarter Ended		Higher	Percent
	June 30, 2007	July 1, 2006	(Lower)	Change
	(dollars in thousands)			
Net income	\$ 25,434	\$ 59,285	\$ (33,851)	(57.1)%

Net income for the second quarter of 2007 was lower than the same quarter in 2006 due to higher interest expense and a higher effective income tax rate as a result of our independent structure, as well as higher restructuring and related charges.

Table of Contents**Operating Results by Business Segment Second Quarter Ended June 30, 2007 Compared with Second Quarter Ended July 1, 2006**

	Quarter Ended June 30, 2007	Quarter Ended July 1, 2006 (dollars in thousands)	Higher (Lower)	Percent Change
Net sales:				
Innerwear	\$ 691,504	\$ 685,479	\$ 6,025	0.9%
Outerwear	263,596	270,523	(6,927)	(2.6)
Hosiery	51,402	56,873	(5,471)	(9.6)
International	109,001	110,472	(1,471)	(1.3)
Other	17,644	8,292	9,352	112.8
Total segment net sales	1,133,147	1,131,639	1,508	0.1
Intersegment	(11,240)	(11,506)	(266)	(2.3)
Total net sales	\$ 1,121,907	\$ 1,120,133	\$ 1,774	0.2%
Segment operating profit:				
Innerwear	\$ 104,680	\$ 88,472	\$ 16,208	18.3%
Outerwear	12,302	20,092	(7,790)	(38.8)
Hosiery	14,134	1,139	12,995	NM
International	16,927	13,545	3,382	25.0
Other	1,064	(522)	1,586	303.8
Total segment operating profit	149,107	122,726	26,381	21.5
Items not included in segment operating profit:				
General corporate expenses	(19,892)	(41,436)	(21,544)	(52.0)
Amortization of trademarks and other intangibles	(1,514)	(2,426)	(912)	(37.6)
Restructuring	(26,225)	1,046	27,271	NM
Accelerated depreciation in cost of sales	(12,413)		12,413	NM
Accelerated depreciation in selling, general and administrative expenses	(948)		948	NM
Total operating profit	88,115	79,910	8,205	10.3
Other expenses	(551)		551	NM
Interest expense, net	(51,230)	(5,768)	45,462	788.2
Income before income tax expense	\$ 36,334	\$ 74,142	\$ (37,808)	(51.0)%

Innerwear

	Quarter Ended June 30, 2007	Quarter Ended July 1, 2006 (dollars in thousands)	Higher (Lower)	Percent Change
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Net sales	\$ 691,504	\$ 685,479	\$ 6,025	0.9%
Segment operating profit	104,680	88,472	16,208	18.3

Overall net sales in the Innerwear segment were higher by \$6 million or 0.9% in the second quarter of 2007 compared to the same quarter in 2006. We experienced higher volume of *Hanes* underwear and intimate apparel brand sales of \$10 million and \$6 million, respectively, and higher *Bali* brand sales of \$3 million. Our *Hanes* intimate apparel brand sales were higher primarily as a result of the *Hanes All-Over Comfort Bra* that was introduced recently in a new national television, print and Internet advertising campaign. The higher net sales were offset by lower *Playtex* intimate apparel brand sales of \$13 million.

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As a percent of segment net sales, gross profit percentage in the Innerwear segment was 38.6% in the second quarter of 2007 compared to 37.7% in the same quarter in 2006. The improvement in gross profit is primarily attributable to lower duty costs of \$5 million related to refunds received for duties paid several years ago, lower allocations of overhead costs of \$5 million and lower excess and obsolete inventory costs of \$2 million, offset primarily by higher cotton costs of \$4 million.

The higher Innerwear segment operating profit in the second quarter of 2007 compared to the same quarter in 2006 is primarily attributable to higher gross profit and lower media, advertising and promotion expenses of \$15 million offset by a higher allocation of selling, general and administrative expenses of \$8 million. Our consolidated selling, general and administrative expenses before segment allocations were lower in the second quarter of 2007 compared to the same quarter in 2006 primarily due to lower spin off and related charges, lower media, advertising and promotion expenses, lower distribution expenses, one time non-recurring benefit in the prior year quarter for adjustments relating to the spin off from Sara Lee, amortization of gain on curtailment of postretirement benefits and lower stand alone expenses associated with being an independent company which were offset by lower allocations to inventory cost and higher technology consulting expenses.

Outerwear

	Quarter Ended	Higher	Percent
	June 30, 2007	July 1, 2006	Change
	(dollars in thousands)		
Net sales	\$ 263,596	\$ 270,523	\$ (6,927) (2.6)%
Segment operating profit	12,302	20,092	(7,790) (38.8)

Net sales in the Outerwear segment were lower by \$7 million in the second quarter of 2007 compared to the same quarter in 2006 primarily as a result of lower sales of promotional t-shirts sold primarily through our embellishment channel of \$18 million. The lower net sales were partially offset by higher *Champion* activewear sales. *Champion*, our second largest brand, benefited from higher penetration in the mid-tier department store and sporting goods channels. Overall activewear sales were higher by \$11 million in the second quarter of 2007 compared to the same quarter in 2006.

As a percent of segment net sales, gross profit percentage in the Outerwear segment was 22.1% in the second quarter of 2007 compared to 20.3% in the same quarter in 2006. The improvement in gross profit is primarily attributable to savings from our cost reduction initiatives and prior restructuring actions of \$4 million, improved plant performance and product mix of \$4 million and lower allocations of overhead costs of \$3 million, offset primarily by higher cotton costs of \$4 million and higher duty costs of \$3 million.

The lower Outerwear segment operating profit in the second quarter of 2007 compared to the same quarter in 2006 is primarily attributable to higher media, advertising and promotion expenses of \$5 million and a higher allocation of selling, general and administrative expenses of \$6 million. Our consolidated selling, general and administrative expenses before segment allocations were lower in the second quarter of 2007 compared to the same quarter in 2006 primarily due to lower spin off and related charges, lower media, advertising and promotion expenses, lower distribution expenses, one time non-recurring benefit in the prior year quarter for adjustments relating to the spin off from Sara Lee, amortization of gain on curtailment of postretirement benefits and lower stand alone expenses associated with being an independent company which were offset by lower allocations to inventory cost and higher technology consulting expenses.

Hosiery

	Quarter Ended	Higher	Percent
	June 30, 2007	July 1, 2006	Change
	(dollars in thousands)		
Net sales	\$ 51,402	\$ 56,873	\$ (5,471) (9.6)%
Segment operating profit	14,134	1,139	12,995 NM

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Net sales in the Hosiery segment were lower by \$5 million in the second quarter of 2007 compared to the same quarter in 2006 primarily due to lower sales of the *L eggs* brand to mass retailers and food and drug stores. We expect this trend to continue as a result of shifts in consumer preferences which is consistent with a sustained decline in the hosiery industry.

As a percent of segment net sales, gross profit percentage was 48.6% in the second quarter of 2007 compared to 34.0% in the same quarter in 2006 primarily due improved plant performance of \$7 million.

Hosiery segment operating profit was higher in the second quarter of 2007 compared to the same quarter in 2006 primarily due to the improvement in gross profit and \$7 million in lower allocated selling, general and administrative expenses. Our consolidated selling, general and administrative expenses before segment allocations were lower in the second quarter of 2007 compared to the same quarter in 2006 primarily due to lower spin off and related charges, lower media, advertising and promotion expenses, lower distribution expenses, one time non-recurring benefit in the prior year quarter for adjustments relating to the spin off from Sara Lee, amortization of gain on curtailment of postretirement benefits and lower stand alone expenses associated with being an independent company which were offset by lower allocations to inventory cost and higher technology consulting expenses.

International

	Quarter Ended		Higher	Percent
	June 30, 2007	July 1, 2006	(Lower)	Change
	(dollars in thousands)			
Net sales	\$ 109,001	\$ 110,472	\$ (1,471)	(1.3)%
Segment operating profit	16,927	13,545	3,382	25.0

Overall net sales in the International segment were slightly lower in the second quarter of 2007 compared to the same quarter in 2006. During the second quarter of 2007 we experienced higher net sales in Europe of \$1 million and higher net sales of \$1 million in our emerging markets in Asia which were more than offset by lower sales in Canada of \$5 million. Changes in foreign currency exchange rates had an unfavorable impact on net sales of \$5 million in the second quarter of 2007 compared to the same quarter in 2006.

As a percent of segment net sales, gross profit percentage was 42.9% in the second quarter in 2007 compared to 41.7% in the same quarter in 2006. The improvement in gross profit was primarily attributable to headcount savings from prior year restructuring actions.

The higher International segment operating profit in the second quarter of 2007 compared to the same quarter in 2006 is primarily attributable to the improvement in gross profit and lower media, advertising and promotion expenses of \$2 million. Changes in foreign currency exchange rates had an unfavorable impact on segment operating profit of \$1 million in the second quarter of 2007 compared to the same quarter in 2006.

Other

	Quarter Ended		Higher	Percent
	June 30, 2007	July 1, 2006	(Lower)	Change
	(dollars in thousands)			

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Net sales	\$ 17,644	\$ 8,292	\$ 9,352	112.8%
Segment operating profit	1,064	(522)	1,586	303.8

The higher net sales from our Other segment primarily resulted from an immaterial change in the way we recognized sales to third party suppliers in the same quarter in 2006. The full year change was reflected in the same quarter in 2006 with an \$8 million impact on net sales and minimal impact on segment operating profit. Net sales of this segment are generated for the purpose of maintaining asset utilization at certain manufacturing facilities.

The higher segment operating profit is primarily attributable to the higher sales volume.

Table of Contents***General Corporate Expenses***

General corporate expenses were lower in the second quarter of 2007 compared to the same quarter in 2006 primarily due to lower spin off and related charges of \$14 million, amortization of gain on postretirement benefits of \$2 million and lower stand alone expenses associated with being an independent company of \$2 million.

Condensed Consolidated Results of Operations Six Months Ended June 30, 2007 Compared with Six Months Ended July 1, 2006

	Six Months Ended		Higher	Percent
	June 30,	July 1, 2006	(Lower)	Change
	2007	(dollars in thousands)		
Net sales	\$ 2,161,801	\$ 2,152,993	\$ 8,808	0.4%
Cost of sales	1,441,765	1,430,640	11,125	0.8
Gross profit	720,036	722,353	(2,317)	(0.3)
Selling, general and administrative expenses	520,584	545,967	(25,383)	(4.6)
Restructuring	42,471	238	42,233	NM
Operating profit	156,981	176,148	(19,167)	(10.9)
Other expenses	551		551	NM
Interest expense, net	102,947	8,868	94,079	NM
Income before income tax expense	53,483	167,280	(113,797)	(68.0)
Income tax expense	16,045	33,403	(17,358)	(52.0)
Net income	\$ 37,438	\$ 133,877	\$ (96,439)	(72.0)%

Net Sales

	Six Months Ended		Higher	Percent
	June 30,	July 1, 2006	(Lower)	Change
	2007	(dollars in thousands)		
Net sales	\$ 2,161,801	\$ 2,152,993	\$ 8,808	0.4%

Consolidated net sales were higher by \$9 million or 0.4% in the six month period in 2007 compared to the same six month period in 2006. The higher net sales were primarily due to growth in sales volume in *Hanes* casualwear and underwear brand sales and *Champion* activewear brand sales. The higher net sales were offset primarily by lower *Playtex* brand sales and lower sales of promotional t-shirts sold primarily through our embellishment channel.

Our Innerwear, Outerwear and Other segments net sales were higher by \$3 million, \$9 million and \$8 million, respectively, and were offset by lower net sales in Hosiery of \$9 million and International segment net sales of

\$3 million. The higher net sales from our Other segment primarily resulted from an immaterial change in the way we recognized sales to third party suppliers in the same six month period in 2006. The full year change was reflected in the same six month period in 2006 with a \$5 million impact on net sales and minimal impact on net income.

We expect the trend of declining hosiery sales to continue as a result of shifts in consumer preferences, which is consistent with the sustained decline in the overall hosiery industry.

Table of Contents***Gross Profit***

	Six Months Ended		Higher	Percent
	June 30,	July 1,	(Lower)	Change
	2007	2006	(dollars in thousands)	
Gross profit	\$ 720,036	\$ 722,353	\$ (2,317)	(0.3)%

As a percent of net sales, our gross profit percentage was 33.3% in the six month period in 2007 compared to 33.6% in the same six month period in 2006. The lower gross profit percentage was primarily due to higher cotton costs of \$18 million and \$18 million in accelerated depreciation. Cotton prices, which were approximately 45 cents per pound in the first half of 2006, have returned to the historical average of approximately 55 cents per pound in the second half of calendar 2006 and the first half of 2007. These higher costs were offset primarily by lower allocations of overhead costs of \$15 million, savings from our cost reduction initiatives and prior restructuring actions of \$11 million and the receipt of \$7 million in duty refunds relating to duties paid several years ago. The accelerated depreciation was a result of facilities closed or that will be closed in connection with our consolidation and globalization strategy.

Selling, General and Administrative Expenses

	Six Months Ended		Higher	Percent
	June 30,	July 1,	(Lower)	Change
	2007	2006	(dollars in thousands)	
Selling, general and administrative expenses	\$ 520,584	\$ 545,967	\$ (25,383)	(4.6)%

Selling, general and administrative expenses were \$25 million lower in the six month period in 2007 compared to the same six month period in 2006. Our expenses were lower partially due to lower media, advertising and promotion expenses of \$21 million. The lower media, advertising and promotion expenses are primarily non-media related and may vary from period to period due to timing of actual spending during the full year 2007 versus 2006. The lower non-media expenses are primarily attributable to cost reduction initiatives and better deployment of these resources. In addition, we incurred lower spin off and related charges of \$18 million, lower distribution expenses of \$5 million and \$4 million in amortization of gain on curtailment of postretirement benefits. These lower expenses were offset by lower allocations to inventory cost of \$15 million and higher technology consulting expenses of \$7 million.

Restructuring

	Six Months Ended		Higher	Percent
	June 30,	July 1,	(Lower)	Change
	2007	2006	(dollars in thousands)	
Restructuring	\$ 42,471	\$ 238	\$ 42,233	NM

During the six month period in 2007, we approved actions to close 14 manufacturing facilities and two distribution centers affecting approximately 7,330 employees in Canada, the Dominican Republic, Mexico and the United States while moving production to lower-cost operations in Central America and Asia. In addition, approximately 350 management and administrative positions will be eliminated, with the majority of these positions based in the United States. These actions resulted in a charge of \$34 million, representing costs associated with the planned termination of 7,680 employees, primarily attributable to employee and other termination benefits recognized in accordance with benefit plans previously communicated to the affected employee group. In addition, we recognized a charge of \$10 million for estimated lease termination costs associated with facility closures announced in the six months ended December 30, 2006, for facilities which were exited during 2007. In connection with our consolidation and globalization strategy, a charge of \$18 million and \$1 million, respectively, of accelerated depreciation of buildings and equipment for facilities that have been closed or will be closed is reflected in the Cost of sales and Selling, general and administrative expenses lines of the Condensed Consolidated Statement of Income. The actions announced during 2007 are expected to be completed by the end of our first quarter 2008. These actions, which are a continuation of our consolidation and globalization strategy, are expected to result in benefits of moving

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production to lower-cost manufacturing facilities, leveraging our large scale in high-volume products and consolidating production capacity.

Operating Profit

	Six Months Ended		Higher	Percent
	June 30,	July 1,	(Lower)	Change
	2007	2006		
	(dollars in thousands)			
Operating profit	\$ 156,981	\$ 176,148	\$ (19,167)	(10.9)%

Operating profit was lower in the six month period in 2007 by \$19 million compared to the same six month period in 2006 primarily as a result of higher restructuring charges of \$42 million and lower gross profit of \$2 million partially offset by lower selling, general and administrative expenses of \$25 million. Our higher expenses were partially offset by savings from our cost reduction initiatives and prior restructuring actions as described above.

Other Expenses

	Six Months Ended		Higher	Percent
	June 30,	July 1,	(Lower)	Change
	2007	2006		
	(dollars in thousands)			
Other expenses	\$ 551	\$	\$ 551	NM

We recognized a loss on early extinguishment of debt related to unamortized debt issuance costs on the Senior Secured Credit Facility for the prepayment of \$50 million of principal in June 2007.

Interest Expense, net

	Six Months Ended		Higher	Percent
	June 30,	July 1,	(Lower)	Change
	2007	2006		
	(dollars in thousands)			
Interest expense, net	\$ 102,947	\$ 8,868	\$ 94,079	NM

Interest expense, net was higher in the six month period in 2007 by \$94 million compared to the same six month period in 2006 primarily as a result of the indebtedness incurred in connection with the spin off from Sara Lee on September 5, 2006, consisting of \$2.6 billion pursuant to a new senior secured credit facility, a new senior secured second lien credit facility and a bridge loan facility. In December 2006, we issued \$500 million of floating rate senior notes and the net proceeds were used to repay the bridge loan facility. In February 2007, we entered into a first amendment to our senior secured credit facility with our lenders which primarily lowered the applicable borrowing margin with respect to the Term B loan facility from 2.25% to 1.75% on LIBOR based loans and from 1.25% to

0.75% on Base Rate loans.

Income Tax Expense

	Six Months Ended		Higher	Percent
	June 30,	July 1,	(Lower)	Change
	2007	2006	(Lower)	Change
	(dollars in thousands)			
Income tax expense	\$ 16,045	\$ 33,403	\$ (17,358)	(52.0)%

Our effective income tax rate was 30.0% in the six month period in 2007 compared to 20.0% in the same six month period in 2006. The higher effective tax rate as an independent company is attributable primarily to the expiration of tax incentives for manufacturing in Puerto Rico, which were repealed effective after our tax year commencing after July 1, 2006 and lower unremitted earnings from foreign subsidiaries in the six month period in 2007 taxed at rates less than the U.S. statutory rate.

Table of Contents**Net Income**

	Six Months Ended		Higher	Percent
	June 30, 2007	July 1, 2006	(Lower)	Change
	(dollars in thousands)			
Net income	\$ 37,438	\$ 133,877	\$ (96,439)	(72.0)%

Net income for the six month period of 2007 was lower than the same six month period in 2006 primarily due to higher interest expense and a higher effective income tax rate as a result of our independent structure, as well as higher restructuring and related charges.

Operating Results by Business Segment Six Months Ended June 30, 2007 Compared with Six Months Ended July 1, 2006

	Six Months Ended		Higher	Percent
	June 30, 2007	July 1, 2006	(Lower)	Change
	(dollars in thousands)			
Net sales:				
Innerwear	\$ 1,281,951	\$ 1,279,099	\$ 2,852	0.2%
Outerwear	547,231	537,809	9,422	1.8
Hosiery	125,095	134,187	(9,092)	(6.8)
International	199,778	202,438	(2,660)	(1.3)
Other	33,042	25,289	7,753	30.7
Total segment net sales	2,187,097	2,178,822	8,275	0.4
Intersegment	(25,296)	(25,829)	(533)	(2.1)
Total net sales	\$ 2,161,801	\$ 2,152,993	\$ 8,808	0.4%
Segment operating profit:				
Innerwear	\$ 180,648	\$ 167,520	\$ 13,128	7.8%
Outerwear	18,402	35,994	(17,592)	(48.9)
Hosiery	34,179	13,076	21,103	161.4
International	24,705	22,563	2,142	9.5
Other	289	(643)	932	144.9
Total segment operating profit	258,223	238,510	19,713	8.3
Items not included in segment operating profit:				
General corporate expenses	(37,069)	(57,138)	(20,069)	(35.1)
Amortization of trademarks and other intangibles	(3,074)	(4,986)	(1,912)	(38.3)
Restructuring	(42,471)	(238)	42,233	NM
Accelerated depreciation in cost of sales	(17,680)		17,680	NM
Accelerated depreciation in selling, general and administrative expenses	(948)		948	NM

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Total operating profit	156,981	176,148	(19,167)	(10.9)
Other expenses	(551)		551	NM
Interest expense, net	(102,947)	(8,868)	94,079	NM
Income before income tax expense	\$ 53,483	\$ 167,280	\$ (113,797)	(68.0)%

Table of Contents**Innerwear**

	Six Months Ended June 30, 2007	July 1, 2006 (dollars in thousands)	Higher (Lower)	Percent Change
Net sales	\$ 1,281,951	\$ 1,279,099	\$ 2,852	0.2%
Segment operating profit	180,648	167,520	13,128	7.8

Overall net sales in the Innerwear segment were higher by \$3 million or 0.2% in the six month period in 2007 compared to the same six month period in 2006. We experienced higher volume of *Hanes* underwear and intimate apparel brand sales of \$11 million and \$4 million, respectively, and higher women's socks sales of \$9 million. Our *Hanes* intimate apparel brand sales were higher primarily as a result of the *Hanes All-Over Comfort Bra* that was introduced recently in a new national television, print and Internet advertising campaign. The higher net sales were offset by lower *Playtex* intimate apparel brand sales of \$19 million.

As a percent of segment net sales, gross profit percentage in the Innerwear segment was 38.6% in the six month period in 2007 compared to 37.8% in the same six month period in 2006. The improvement in gross profit is attributable to lower allocations of overhead costs of \$10 million and lower duty costs of \$7 million related to refunds received for duties paid several years ago, offset primarily by higher cotton costs of \$8 million.

The higher Innerwear segment operating profit in the six month period in 2007 compared to the same six month period in 2006 is primarily attributable to higher gross profit and lower media, advertising and promotion expenses of \$23 million offset by a higher allocation of selling, general and administrative expenses of \$20 million. Our consolidated selling, general and administrative expenses before segment allocations were lower in the six month period in 2007 compared to the same six month period in 2006 primarily due to lower media, advertising and promotion expenses, lower spin off and related charges, lower distribution expenses and amortization of gain on curtailment of postretirement benefits offset by lower allocations to inventory cost and higher technology consulting expenses.

Outerwear

	Six Months Ended June 30, 2007	July 1, 2006 (dollars in thousands)	Higher (Lower)	Percent Change
Net sales	\$ 547,231	\$ 537,809	\$ 9,422	1.8%
Segment operating profit	18,402	35,994	(17,592)	(48.9)

Net sales in the Outerwear segment were higher by \$9 million in the six month period in 2007 compared to the same six month period in 2006 primarily as a result of higher *Champion* activewear and *Hanes* retail casualwear net sales. *Champion*, our second largest brand, benefited from higher penetration in the mid-tier department store and sporting goods channels. Overall activewear and retail casualwear net sales were higher by \$27 million and \$22 million, respectively, in the six month period in 2007 compared to the same six month period in 2006. The higher net sales were partially offset by lower net sales in our casualwear business as a result of lower sales of promotional t-shirts

sold primarily through our embellishment channel of \$40 million.

As a percent of segment net sales, gross profit percentage in the Outerwear segment was 20.5% in the six month period in 2007 compared to 19.0% in the same six month period in 2006. The improvement in gross profit is primarily attributable to savings from our cost reduction initiatives and prior restructuring actions of \$8 million, improved plant performance and product mix of \$8 million and lower allocations of overhead costs of \$5 million offset primarily by higher cotton costs of \$10 million.

The lower Outerwear segment operating profit in the six month period in 2007 compared to the same six month period in 2006 is primarily attributable to higher media, advertising and promotion expenses of \$8 million and a higher allocation of selling, general and administrative expenses of \$20 million, which more than offset higher gross profit on higher net sales. Our consolidated selling, general and administrative expenses before segment allocations were lower in the six month period in 2007 compared to the same six

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month period in 2006 primarily due to lower media, advertising and promotion expenses, lower spin off and related charges, lower distribution expenses and amortization of gain on curtailment of postretirement benefits offset by lower allocations to inventory cost and higher technology consulting expenses.

Hosiery

	Six Months Ended		Higher	Percent
	June 30,	July 1,	(Lower)	Change
	2007	2006	(Lower)	Change
	(dollars in thousands)			
Net sales	\$ 125,095	\$ 134,187	\$ (9,092)	(6.8)%
Segment operating profit	34,179	13,076	21,103	161.4

Net sales in the Hosiery segment were lower by \$9 million in the six month period in 2007 compared to the same six month period in 2006 primarily due to lower sales of the *L eggs* brand to mass retailers and food and drug stores. We expect this trend to continue as a result of shifts in consumer preferences which is consistent with a sustained decline in the hosiery industry.

As a percent of segment net sales, gross profit percentage was 46.9% in the six month period in 2007 compared to 38.1% in the same six month period in 2006 primarily due improved plant performance of \$9 million.

Hosiery segment operating profit was higher in the six month period in 2007 compared to the same six month period in 2006 primarily due to \$14 million in lower allocated selling, general and administrative expenses and the improvement in gross profit. Our consolidated selling, general and administrative expenses before segment allocations were lower in the six month period in 2007 compared to the same six month period in 2006 primarily due to lower media, advertising and promotion expenses, lower spin off and related charges, lower distribution expenses and amortization of gain on curtailment of postretirement benefits offset by lower allocations to inventory cost and higher technology consulting expenses.

International

	Six Months Ended		Higher	Percent
	June 30,	July 1,	(Lower)	Change
	2007	2006	(Lower)	Change
	(dollars in thousands)			
Net sales	\$ 199,778	\$ 202,438	\$ (2,660)	(1.3)%
Segment operating profit	24,705	22,563	2,142	9.5

Overall net sales in the International segment were slightly lower in the six month period in 2007 compared to the same six month period in 2006. During the six month period in 2007 we experienced higher net sales in Europe of \$4 million and higher net sales of \$4 million in our emerging markets in Asia which were more than offset by lower sales in Canada of \$11 million. Changes in foreign currency exchange rates had an unfavorable impact on net sales of \$8 million in the six month period in 2007 compared to the same six month period in 2006.

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As a percent of segment net sales, gross profit percentage was 42.0% in the six month period in 2007 compared to the same six month period in 2006 at 41.3%. The slight improvement in gross profit was primarily attributable to headcount savings from prior year restructuring actions.

The higher International segment operating profit in the six month period in 2007 compared to the same six month period in 2006 is primarily attributable to the improvement in gross profit and lower media, advertising and promotion expenses of \$2 million. Changes in foreign currency exchange rates had an unfavorable impact on segment operating profit of \$1 million in the six month period in 2007 compared to the same six month period in 2006.

Table of Contents***Other***

	Six Months Ended June 30, 2007	July 1, 2006 (dollars in thousands)	Higher (Lower)	Percent Change
Net sales	\$ 33,042	\$ 25,289	\$ 7,753	30.7%
Segment operating profit	289	(643)	932	144.9

The higher net sales from our Other segment primarily resulted from an immaterial change in the way we recognized sales to third party suppliers in the same six month period in 2006. The full year change was reflected in the same six month period in 2006 with a \$5 million impact on net sales and minimal impact on segment operating profit. Net sales of this segment are generated for the purpose of maintaining asset utilization at certain manufacturing facilities.

The higher segment operating profit is primarily attributable to the higher sales volume.

General Corporate Expenses

General corporate expenses were lower in the six month period in 2007 compared to the same six month period in 2006 primarily due to lower spin off and related charges of \$18 million and amortization of gain on postretirement benefits of \$4 million.

Liquidity and Capital Resources***Trends and Uncertainties Affecting Liquidity***

Our primary sources of liquidity are our cash flows from operating activities and availability under our revolving loan facility described below. The following has or is expected to negatively impact our liquidity:

we have principal and interest obligations under our long-term debt;

we expect to continue to invest in efforts to improve operating efficiencies and lower costs;

we expect to continue to add new manufacturing capacity in Central America, the Caribbean Basin and Asia;

we may need to increase the portion of the income of our foreign subsidiaries that is expected to be remitted to the United States, which could significantly increase our income tax expense; and

we expect to repurchase up to 10 million shares of our stock in the open market over the next few years, 0.6 million of which we have repurchased as of June 30, 2007.

We believe that our cash provided from operating activities, together with our available credit capacity, will enable us to comply with the terms of our indebtedness and meet presently foreseeable financial requirements.

We expect to continue the restructuring efforts that we have undertaken since the spin off from Sara Lee. For example, during the six months ended June 30, 2007, in furtherance of our efforts to execute our consolidation and globalization strategy, we approved actions that will result in the closure of 14 manufacturing facilities and two distribution centers.

The implementation of these efforts, which are designed to improve operating efficiencies and lower costs, has resulted and is likely to continue to result in significant costs. As further plans are developed and approved by management and our board of directors, we expect to recognize additional restructuring costs to eliminate duplicative functions within the organization and transition a significant portion of our manufacturing capacity to lower-cost locations in other countries. As a result of these efforts, we expect to incur approximately \$250 million in restructuring and related charges over the three year period following the spin off from Sara Lee approximately half of which is expected to be noncash. As of June 30, 2007, we have recognized approximately \$95 million in restructuring and related charges related to these efforts. We also expect to incur costs associated with the integration of our information technology systems across our company over the next several years.

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As we continue to add new manufacturing capacity in Central America, the Caribbean Basin and Asia, our exposure to events that could disrupt our foreign supply chain, including political instability, acts of war or terrorism or other international events resulting in the disruption of trade, disruptions in shipping and freight forwarding services, increases in oil prices (which would increase the cost of shipping), interruptions in the availability of basic services and infrastructure and fluctuations in foreign currency exchange rates, is increased. Disruptions in our foreign supply chain could negatively impact our liquidity by interrupting production in offshore facilities, increasing our cost of sales, disrupting merchandise deliveries, delaying receipt of the products into the United States or preventing us from sourcing our products at all. Depending on timing, these events could also result in lost sales, cancellation charges or excessive markdowns. For a discussion of these and other risk factors facing our business, see the risk factors section of our Report on Form 10-KT for the six months ended December 30, 2006.

As a result of provisions of the Pension Protection Act of 2006, we are required, commencing with plan years beginning after 2007, to make larger contributions to our pension plans than Sara Lee made with respect to these plans in past years. We contributed \$48 million in December 2006 and \$42 million in March 2007 based upon minimum funding estimates. While these contribution payments fulfill our minimum funding requirements through fiscal 2007, if financial conditions change or if the assumptions we have used to calculate our pension costs and obligations turn out to be inaccurate, we could be required to make contributions to the pension plans in excess of our current expectations for future years. A significant increase in our funding obligations could have a negative impact on our liquidity. As of June 30, 2007, assets estimated to represent approximately 75% of the total assets for the Hanesbrands Inc. Pension and Retirement Plan have been transferred from Sara Lee's master trust to the master trust we maintain. A final transfer of assets from Sara Lee's master trust to the master trust maintained by us will occur later in fiscal 2007 once the allocation of assets and liabilities has been completed in accordance with governmental regulations. The fair value of plan assets represents a best estimate based upon a percentage allocation of total assets of Sara Lee's master trust and will be adjusted once the final transfer is made, with an adjustment to the liability.

Net Cash Provided by Operating Activities

Net cash provided by operating activities was \$102 million in the six month period in 2007 compared to \$144 million in the same six month period in 2006. The lower cash provided from operating activities of \$42 million was the result of lower earnings in the business primarily attributable to higher interest expense and a higher effective income tax rate as a result of our independent structure as well as higher restructuring and related charges, a \$42 million pension contribution and other changes in the use of working capital.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$11 million in the six month period in 2007 compared to \$58 million in the same six month period in 2006. The lower cash used in investing activities of \$47 million was primarily the result of lower purchases of property and equipment and higher cash received from sales of property and equipment relating to our restructuring actions. While capital spending can vary from quarter to quarter, we anticipate that over the long term our capital expenditures will be approximately level with our annual depreciation of \$110 million.

Net Cash Used in Financing Activities

Net cash used in financing activities was \$71 million in the six month period in 2007 compared to \$301 million in the same six month period in 2006. The lower cash used in financing activities was primarily the result of the elimination of net transactions with parent companies and related entities subsequent to the spin off from Sara Lee and lower repayments on notes payable to banks in the six month period in 2007, partially offset by an increase in bank overdraft in the same six month period in 2006.

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During the six month period in 2007, we paid down long-term debt by \$53 million, of which \$50 million was a prepayment. In addition, we repurchased \$16 million of company stock pursuant to a program approved

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by the Board of Directors in January 2007 which authorizes repurchase of up to 10 million shares of our common stock.

Cash and Cash Equivalents

As of June 30, 2007 and December 30, 2006, cash and cash equivalents were \$176 million and \$156 million, respectively. The higher cash and cash equivalents as of June 30, 2007 was primarily the result of the elimination of net transactions with parent companies and related entities subsequent to the spin off from Sara Lee, partially offset by lower net income and the repayment of debt under credit facilities in 2007.

Revolving Loan Facility

We have significant liquidity based on our availability under the Revolving Loan Facility provided under the senior secured credit facility that we entered into in September 2006. As of June 30, 2007, \$74 million of standby and trade letters of credit were issued under this facility and \$426 million was available for borrowings.

Significant Accounting Policies and Critical Estimates

We have chosen accounting policies that we believe are appropriate to accurately and fairly report our operating results and financial position in conformity with accounting principles generally accepted in the United States. We apply these accounting policies in a consistent manner. Our significant accounting policies are discussed in Note 2, titled Summary of Significant Accounting Policies, to our Combined and Consolidated Financial Statements included in our Report on Form 10-KT for the six months ended December 30, 2006.

The application of these accounting policies requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. These estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. We evaluate these estimates and assumptions on an ongoing basis and may retain outside consultants to assist in our evaluation. If actual results ultimately differ from previous estimates, the revisions are included in results of operations in the period in which the actual amounts become known. The accounting policies that involve the most significant management judgments and estimates used in preparation of our consolidated financial statements, or are the most sensitive to change from outside factors, are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Report on Form 10-KT for the six months ended December 30, 2006. There have been no material changes during the six months ended June 30, 2007 in these policies except as follows:

Income Taxes

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which became effective during the first quarter ended March 31, 2007. FIN 48 addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, a company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. The impact of the reassessment of our tax positions in accordance with FIN 48 did not have an impact on our results of operations, financial condition or liquidity.

For additional information regarding the adoption of FIN 48, see Note 5, Income Taxes. For further discussion of our critical accounting estimates related to income taxes, see our Report on Form 10-KT for the six months ended

December 30, 2006.

Table of Contents**Issued But Not Yet Effective Accounting Standards*****Fair Value Measurements***

The FASB has issued SFAS No. 157, Fair Value Measurements, or SFAS 157, which provides guidance for using fair value to measure assets and liabilities. The standard also responds to investors' requests for more information about (1) the extent to which companies measure assets and liabilities at fair value, (2) the information used to measure fair value, and (3) the effect that fair-value measurements have on earnings. SFAS 157 will apply whenever another standard requires (or permits) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value to any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating the impact, if any, of SFAS 157 on our results of operations and financial position.

Pension and Other Postretirement Benefits

In September 2006, the FASB issued SFAS No. 158, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans (an amendment of FASB Statements No. 87, 88, 106, and 132R), or SFAS 158. SFAS 158 requires an employer to recognize in its statement of financial position an asset for a plan's over funded status, or a liability for a plan's under funded status, measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions), and recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in accumulated other comprehensive loss and as a separate component of stockholders' equity. We adopted the provision to recognize the funded status of a benefit plan and the disclosure requirements during the six months ended December 30, 2006. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end is effective for fiscal years ending after December 15, 2008. We plan to adopt the measurement date provision in fiscal 2007.

Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The provisions of SFAS 159 become effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact that SFAS 159 will have on our results of operations and financial position.

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

There have been no significant changes in our market risk exposures from those described in Item 7A of our Report on Form 10-KT for the six months ended December 30, 2006.

Item 4. *Controls and Procedures*

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

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

Table of Contents**Item 4T. Controls and Procedures**

Not applicable.

PART II**Item 1. Legal Proceedings**

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

Item 1A. Risk Factors

No updates to report.

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

The following table provides information about purchases by Hanesbrands during the periods included within this report of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(1)
04/01/07 - 05/05/07		\$		
05/06/07 - 06/02/07	521,700	26.32	521,700	9,478,300
06/03/07 - 06/30/07	83,700	25.58	83,700	9,394,600
Total	605,400	\$ 26.21	605,400	9,394,600

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

common stock from time to time.

Item 3. *Defaults Upon Senior Securities*

None.

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

No matters were submitted to a vote of stockholders during the second quarter ended June 30, 2007.

Item 5. *Other Information*

None.

Item 6. *Exhibits*

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

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SIGNATURES

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

HANESBRANDS INC.

By: /s/ E. Lee Wyatt Jr

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

Date: August 3, 2007

Table of Contents**INDEX TO EXHIBITS**

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

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- Commission on April 26, 2007).
- 3.14 Certificate of Formation of Hanes Menswear, LLC, together with Certificate of Conversion from a Corporation to a Limited Liability Company Pursuant to Section 18-214 of the Limited Liability Company Act and Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.14 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).

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

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Certificate of Formation of SL Sourcing, LLC, together with Certificate of Amendment to the Certificate of Formation of SL Sourcing, LLC reflecting the change of the entity's name to HBI Sourcing, LLC (incorporated by reference from Exhibit 3.28 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).

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Exhibit Number	Description
3.29	Limited Liability Company Agreement of SL Sourcing, LLC (now known as HBI Sourcing, LLC) (incorporated by reference from Exhibit 3.29 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.30	Certificate of Formation of Inner Self LLC (incorporated by reference from Exhibit 3.30 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.31	Limited Liability Company Agreement of Inner Self LLC (incorporated by reference from Exhibit 3.31 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.32	Certificate of Formation of Jasper-Costa Rica, L.L.C. (incorporated by reference from Exhibit 3.32 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.33	Amended and Restated Limited Liability Company Agreement of Jasper-Costa Rica, L.L.C. (incorporated by reference from Exhibit 3.33 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.34	Certificate of Formation of United States Knitting, L.L.C., together with Certificate of Amendment reflecting the change of the entity's name to National Textiles, L.L.C. and subsequent Certificate of Amendment (incorporated by reference from Exhibit 3.34 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.35	Amended and Restated Limited Liability Company Agreement of National Textiles, L.L.C. (incorporated by reference from Exhibit 3.35 to Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on May 7, 2007).
3.36	Certificate of Formation of Playtex Dorado, LLC, together with Certificate of Conversion from a Corporation to a Limited Liability Company Pursuant to Section 18-214 of the Limited Liability Company Act (incorporated by reference from Exhibit 3.36 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.37	Amended and Restated Limited Liability Company Agreement of Playtex Dorado, LLC (incorporated by reference from Exhibit 3.37 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.38	Certificate of Incorporation of Playtex Industries, Inc. (incorporated by reference from Exhibit 3.38 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.39	Bylaws of Playtex Industries, Inc. (incorporated by reference from Exhibit 3.39 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
3.40	Certificate of Formation of Seamless Textiles, LLC, together with Certificate of Conversion from a Corporation to a Limited Liability Company Pursuant to Section 18-214 of the Limited Liability Company Act (incorporated by reference from Exhibit 3.40 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).
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Limited Liability Company Agreement of Seamless Textiles, LLC (incorporated by reference from Exhibit 3.41 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).

- 3.42 Certificate of Incorporation of UPCR, Inc., together with Certificate of Change of Location of Registered Office and Registered Agent (incorporated by reference from Exhibit 3.42 to the Registrant's Registration Statement on Form S-4 (Commission file number 333-142371) filed with the Securities and Exchange Commission on April 26, 2007).

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