UNIFI, INC.

Notice of Annual Meeting
and
Proxy Statement
for
2018 Annual Meeting of Shareholders
October 31, 2018

2018 Annual Report on Form 10-K

UNIFI, INC.
7201 West Friendly Avenue
Greensboro, North Carolina 27410

September 13, 2018

Dear Shareholder:

On behalf of the Board of Directors and the management of Unifi, Inc., I invite you to attend the 2018 Annual Meeting of Shareholders (the "Annual Meeting"). The Annual Meeting will be held at 8:30 a.m., Eastern Time, on Wednesday, October 31, 2018 at the Lotte New York Palace located at 455 Madison Avenue at 50th Street, New York, New York 10022. Details regarding admission to the Annual Meeting and the business to be conducted are described in the accompanying Notice of 2018 Annual Meeting of Shareholders and Proxy Statement.

I hope that you will attend the Annual Meeting in person, but even if you are planning to come, I strongly encourage you to vote as soon as possible to ensure that your shares are represented at the meeting. The accompanying Proxy Statement explains more about voting. Please read it carefully.

Thank you for your continued support.

Sincerely,

Kevin D. Hall
Chairman of the Board and Chief Executive Officer

UNIFI, INC.

7201 West Friendly Avenue
Greensboro, North Carolina 27410
(336) 294-4410

Notice of 2018 Annual Meeting of Shareholders

The 2018 Annual Meeting of Shareholders (the “Annual Meeting”) of Unifi, Inc. (the “Company”) will be held at 8:30 a.m., Eastern Time, on Wednesday, October 31, 2018 at the Lotte New York Palace located at 455 Madison Avenue at 50th Street, New York, New York 10022, for the purpose of voting on the following matters:

1. To elect the 11 directors nominated by the Board of Directors;
2. To approve, on an advisory basis, the Company’s named executive officer compensation in fiscal 2018;
3. To approve the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan;
4. To ratify the appointment of KPMG LLP as the Company’s independent registered public accounting firm for fiscal 2019; and
5. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors unanimously recommends that you vote “FOR” Items 1, 2, 3 and 4. The proxy holders will use their discretion to vote on other matters that may properly arise at the Annual Meeting or any adjournment or postponement thereof.

Only shareholders of record as of the close of business on September 4, 2018 will be entitled to vote at the Annual Meeting.

Your vote is important. Whether or not you plan to attend the Annual Meeting, you are encouraged to vote as soon as possible to ensure that your shares are represented at the meeting. If you are a shareholder of record and received a paper copy of the proxy materials by mail, you may vote your shares by proxy using one of the following methods: (i) vote via the Internet; (ii) vote by telephone; or (iii) complete, sign, date and return your proxy card in the postage-paid envelope provided. If you are a shareholder of record and received only a Notice of Internet Availability of Proxy Materials by mail, you may vote your shares by proxy at the Internet site address listed on your Notice. If you hold your shares through an account with a bank, broker or similar organization, please follow the instructions you receive from the shareholder of record to vote your shares.

By Order of the Board of Directors,

Ben Sirmons
Secretary and Deputy General Counsel

September 13, 2018

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders To Be Held on October 31, 2018:

The Notice of Annual Meeting and Proxy Statement and the Annual Report on Form 10-K are available at *www.proxyvote.com*.

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PROXY STATEMENT

The Board of Directors (the "Board of Directors" or the "Board") of Unifi, Inc. ("UNIFI" or the "Company") is providing these materials to you in connection with the 2018 Annual Meeting of Shareholders (the "Annual Meeting"). The Annual Meeting will be held at 8:30 a.m., Eastern Time, on Wednesday, October 31, 2018 at the Lotte New York Palace located at 455 Madison Avenue at 50th Street, New York, New York 10022.

General Information

Why did I receive these materials?

You received these materials because the Board of Directors is soliciting your proxy to vote your shares at the Annual Meeting. This Proxy Statement includes information that UNIFI is required to provide you under the Securities and Exchange Commission rules and regulations (the "SEC rules") and is designed to assist you in voting your shares.

What is a proxy?

The Board is asking for your proxy. This means you authorize persons selected by the Company to vote your shares at the Annual Meeting in the way that you instruct. All shares represented by valid proxies received and not revoked before the Annual Meeting will be voted in accordance with the shareholder's specific voting instructions.

Why did I receive a one-page notice regarding Internet availability of proxy materials instead of a full set of proxy materials?

The SEC rules allow companies to choose the method for delivery of proxy materials to shareholders. For most shareholders, the Company has elected to mail a notice regarding the availability of proxy materials on the Internet (the "Notice of Internet Availability"), rather than sending a full set of these materials in the mail. The Notice of Internet Availability, or a full set of the proxy materials (including the Proxy Statement and form of proxy), as applicable, was sent to shareholders beginning September 13, 2018, and the proxy materials were posted on the investor relations portion of the Company's website, *www.unifi.com*, and on the website referenced in the Notice of Internet Availability on the same day. Utilizing this method of proxy delivery expedites receipt of proxy materials by the Company's shareholders and lowers the cost of the Annual Meeting. If you would like to receive a paper or e-mail copy of the proxy materials, you should follow the instructions in the Notice of Internet Availability for requesting a copy.

What is included in these materials?

These materials include:

- the Notice of Annual Meeting and Proxy Statement; and
- the Annual Report on Form 10-K for the fiscal year ended June 24, 2018, which contains the Company's audited consolidated financial statements.

If you received a paper copy of these materials by mail, these materials also include the proxy card or voting instruction form for the Annual Meeting.

What items will be voted on at the Annual Meeting?

There are four proposals scheduled to be voted on at the Annual Meeting:

- the election of the 11 directors nominated by the Board of Directors;
- the approval, on an advisory basis, of the Company's named executive officer compensation in fiscal 2018;
- the approval of the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan; and
- the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal 2019.

The Board is not aware of any other matters to be brought before the Annual Meeting. If other matters are properly raised at the Annual Meeting, the proxy holders may vote any shares represented by proxy in their discretion.

What are the Board's voting recommendations?

The Board unanimously recommends that you vote your shares:

- **"FOR"** the election of each of the 11 directors nominated by the Board of Directors;
- **"FOR"** the approval, on an advisory basis, of the Company's named executive officer compensation in fiscal 2018;
- **"FOR"** the approval of the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan; and
- **"FOR"** the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal 2019.

Who can attend the Annual Meeting?

Admission to the Annual Meeting is limited to:

- shareholders of record as of the close of business on September 4, 2018;
- holders of valid proxies for the Annual Meeting; and
- invited guests.

Admission to the Annual Meeting will be on a first-come, first-served basis. Each shareholder may be asked to present valid photo identification, such as a driver's license or passport, and proof of stock ownership as of the record date for admittance.

When is the record date and who is entitled to vote?

The Board set September 4, 2018 as the record date. As of the record date, 18,373,375 shares of common stock, $0.10 par value per share, of UNIFI ("Common Stock") were issued and outstanding. Shareholders are entitled to one vote per share of Common Stock outstanding on the record date on any matter properly presented at the Annual Meeting.

What is a shareholder of record?

A shareholder of record or registered shareholder is a shareholder whose ownership of Common Stock is reflected directly on the books and records of UNIFI's transfer agent, American Stock Transfer & Trust Company, LLC. If you hold Common Stock through an account with a bank, broker or similar organization, you are considered the beneficial owner of shares held in street name and are not a shareholder of record. For shares held in street name, the shareholder of record is your bank, broker or similar organization. UNIFI only has access to ownership records for the registered shares. If you are not a shareholder of record and you wish to attend the Annual Meeting, UNIFI will require additional documentation to evidence your stock ownership as of the record date, such as a copy of your brokerage account statement, a letter from the shareholder of record (e.g., your bank, broker or other nominee) or a copy of your voting instruction form or Notice of Internet Availability.

How do I vote?

You may vote by any of the following methods:

- *In person*. Shareholders of record and beneficial owners of shares held in street name may vote in person at the Annual Meeting. If you hold shares in street name, you must also obtain a legal proxy from the shareholder of record (e.g., your bank, broker or other nominee) to vote in person at the Annual Meeting.

- *By telephone or via the Internet*. Shareholders of record may vote by proxy, by telephone or via the Internet, by following the instructions included in the proxy card or Notice of Internet Availability provided or the instructions you receive by e-mail. If you are a beneficial owner of shares held in street name, your ability to vote by telephone or via the Internet depends on the voting procedures of the shareholder of record (e.g., your bank, broker or other nominee). Please follow the instructions included in the voting instruction form or Notice of Internet Availability provided to you by the shareholder of record.

- *By mail*. Shareholders of record and beneficial owners of shares held in street name may vote by proxy by completing, signing, dating and returning the proxy card or voting instruction form provided.

How can I revoke my proxy or change my vote?

Shareholders of record. You may revoke your proxy or change your vote at any time prior to the taking of the vote at the Annual Meeting by (i) submitting a written notice of revocation to the Company's Secretary at Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410; (ii) delivering a proxy bearing a later date using any of the voting methods described in the immediately preceding Q&A, including by telephone or via the Internet, and until the applicable deadline for each method specified in the accompanying proxy card or Notice of Internet Availability; or (iii) attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically make that request or vote in person at the meeting. For all methods of voting, the last vote cast will supersede all previous votes.

Beneficial owners of shares held in street name. You may revoke or change your voting instructions by following the specific instructions provided to you by the shareholder of record (e.g., your bank, broker or other nominee), or, if you have obtained a legal proxy from the shareholder of record, by attending the Annual Meeting and voting in person.

What happens if I vote by proxy and do not give specific voting instructions?

Shareholders of record. If you are a shareholder of record and you vote by proxy, by telephone, via the Internet or by completing, signing, dating and returning a proxy card, without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by the Board on all matters presented in this Proxy Statement and as the proxy holders may determine in their discretion for any other matters properly presented for a vote at the Annual Meeting.

Beneficial owners of shares held in street name. If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on "routine" matters but cannot vote on "non-routine" matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a "non-routine" matter, the organization that holds your shares will inform the inspector of election that it does not have the authority to vote on that matter with respect to your shares. This is referred to as a "broker non-vote."

Proposals 1, 2 and 3, the election of directors, the advisory vote to approve the Company's named executive officer compensation in fiscal 2018 and the approval of the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan, respectively, are "non-routine" matters. Consequently, without your voting instructions, the organization that holds your shares cannot vote your shares on these proposals. Proposal 4, the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal 2019, is considered a "routine" matter.

What is the voting requirement to approve each of the proposals?

- *Proposal 1, Election of Directors*. Directors shall be elected by the affirmative vote of a majority of the votes cast (meaning that the number of shares voted "for" a nominee must exceed the number of shares voted "against" such nominee). If any existing director who is a nominee for reelection receives a greater number of votes "against" his or her election than votes "for" such election, the Company's Amended and Restated By-laws provide that such person shall be deemed to have tendered to the Board his or her resignation as a director. There is no cumulative voting with respect to the election of directors.

- *Proposal 2, Advisory Vote to Approve Named Executive Officer Compensation*. Advisory approval of the Company's named executive officer compensation in fiscal 2018 requires the affirmative vote of a majority of the votes cast (meaning that the number of shares voted "for" the proposal must exceed the number of shares voted "against" such proposal).

- *Proposal 3, Approval of the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan*. Approval of the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan requires the affirmative vote of a majority of the votes cast (meaning that the number of shares voted "for" the proposal must exceed the aggregate of the number of shares voted "against" such proposal plus abstentions).

- *Proposal 4, Ratification of the Appointment of Independent Registered Public Accounting Firm*. Ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal 2019 requires the affirmative vote of a majority of the votes cast (meaning that the number of shares voted "for" the proposal must exceed the number of shares voted "against" such proposal).

- *Other Items*. Approval of any other matters requires the affirmative vote of a majority of the votes cast (meaning that the number of shares voted "for" the item must exceed the number of shares voted "against" such item).

What is the quorum for the Annual Meeting? How are abstentions and broker non-votes treated?

The presence, in person or by proxy, of the holders of a majority of the outstanding shares entitled to vote is necessary for the transaction of business at the Annual Meeting. Your shares are counted as being present if you vote in person at the Annual Meeting, by telephone, via the Internet or by submitting a properly executed proxy card or voting instruction form by mail. Abstentions and broker non-votes are counted as present for the purpose of determining a quorum for the Annual Meeting.

With respect to Proposal 1, the election of directors, you may vote “for” or “against” each of the nominees for the Board, or you may “abstain” from voting for one or more nominees. Abstentions and broker non-votes are not considered votes cast for the foregoing purpose and will therefore have no effect on the election of director nominees.

With respect to Proposals 2, 3 and 4, the advisory vote to approve the Company’s named executive officer compensation in fiscal 2018, the approval of the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan and the ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm for fiscal 2019, respectively, you may vote “for” or “against” these proposals, or you may “abstain” from voting on these proposals. For Proposals 2 and 4, abstentions and broker non-votes are not considered votes cast for the foregoing purposes and will therefore have no effect on the vote for these proposals. For Proposal 3, under the New York Stock Exchange rules (the “NYSE rules”), abstentions are considered votes cast for the foregoing purpose and will therefore have the effect of votes “against” this proposal, whereas broker non-votes are not considered votes cast for the foregoing purpose and will therefore have no effect on the vote for this proposal.

Who are the proxy holders and how will they vote?

The persons named as attorneys-in-fact in the proxies, Kevin D. Hall and Thomas H. Caudle, Jr., were selected by the Board and are officers and directors of the Company. If you are a shareholder of record and you return an executed and dated proxy card but do not provide specific voting instructions, your shares will be voted on the proposals as follows:

- **“FOR”** the election of each of the 11 directors nominated by the Board of Directors;
- **“FOR”** the approval, on an advisory basis, of the Company’s named executive officer compensation in fiscal 2018;
- **“FOR”** the approval of the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan; and
- **“FOR”** the ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm for fiscal 2019.

If other matters properly come before the Annual Meeting and you do not provide specific voting instructions, your shares will be voted on such matters in the discretion of the proxy holders.

Who pays for solicitation of proxies?

The Company is paying the cost of soliciting proxies and will reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for sending proxy materials to shareholders and obtaining their proxies. In addition to soliciting the proxies by mail and the Internet, certain of the Company’s directors, officers and employees, without compensation, may solicit proxies personally or by telephone, facsimile and e-mail.

Where can I find the voting results of the Annual Meeting?

The Company will announce preliminary or final voting results at the Annual Meeting and publish final results in a Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") within four business days of the completion of the meeting.

Security Ownership of Certain Beneficial Owners and Management

The table below provides information about the beneficial ownership of Common Stock as of September 4, 2018, by each person known by the Company to beneficially own more than 5% of the outstanding shares of Common Stock as well as by each director, nominee for director and named executive officer and by all directors and executive officers as a group. In computing the number of shares beneficially owned by a person and the ownership percentage of that person, shares deemed outstanding include (i) shares of Common Stock subject to stock options held by that person that are currently exercisable or exercisable within 60 days of September 4, 2018 and (ii) restricted stock units that vest within 60 days of September 4, 2018. However, these shares or units are not deemed outstanding for the purposes of computing the ownership percentage of any other person. The ownership percentage is based on 18,373,375 shares of Common Stock outstanding as of September 4, 2018. Except as otherwise indicated in the footnotes below, each of the persons named in the table has sole voting and investment power with respect to the securities indicated as beneficially owned by such person, subject to community property laws where applicable. Unless otherwise indicated in the footnotes below, the address for each of the beneficial owners is c/o Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410.

Name	Number of Shares and Nature of Beneficial Ownership	Ownership Percentage
Principal Shareholders:		
BlackRock, Inc.	2,094,173(1)	11.40%
Dimensional Fund Advisors LP	1,538,440(2)	8.37%
Kenneth G. Langone	1,280,000(3)	6.97%
Impala Asset Management LLC	1,265,149(4)	6.89%
Victory Capital Management Inc.	1,093,908(5)	5.95%
ValueAct Spring Master Fund, L.P.	925,000(6)	5.03%
Directors, Director Nominees and Named Executive Officers:		
Jeffrey C. Ackerman	10,000(7)	*
Robert J. Bishop	1,520,690(8)	8.28%
Albert P. Carey	3,135(9)	*
Thomas H. Caudle, Jr.	105,687(10)	*
Paul R. Charron	24,003(11)	*
Archibald Cox, Jr.	129,885(12)	*
Richard E. Gerstein	10,000(13)	*
Kevin D. Hall	18,656(14)	*
James M. Kilts	15,288(15)	*
Kenneth G. Langone	1,280,000(3)	6.97%
James D. Mead	20,401(16)	*
Suzanne M. Present	29,545(17)	*
Christopher A. Smosna	13,334(18)	*
John D. Vegas	10,335(19)	*
Eva T. Zlotnicka	925,610(20)	5.04%
Directors and executive officers as a group (15 persons)	4,116,569	22.41%

* Less than 1%.

(1) This information is based upon a Schedule 13G/A filed with the SEC on January 19, 2018 by BlackRock, Inc. ("BlackRock"), whose address is 55 East 52nd Street, New York, New York 10055. The Schedule 13G/A reports that BlackRock has sole voting power over 2,063,486 shares, shared voting power over no shares and sole investment power over all of the shares shown.

(2) This information is based upon a Schedule 13G/A filed with the SEC on February 9, 2018 by Dimensional Fund Advisors LP (“Dimensional”), whose address is Building One, 6300 Bee Cave Road, Austin, Texas 78746. The Schedule 13G/A reports that Dimensional has sole voting power over 1,483,955 shares, shared voting power over no shares and sole investment power over all of the shares shown. Dimensional furnishes investment advice to four investment companies registered under the Investment Company Act of 1940 and serves as investment manager or sub-adviser to certain other commingled funds, group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the “Funds”). In certain cases, subsidiaries of Dimensional may act as an adviser or sub-adviser to certain Funds. In its role as investment adviser, sub-adviser and/or manager, Dimensional or its subsidiaries may possess voting and/or investment power over the securities of the Company owned by the Funds and may be deemed to be the beneficial owner of these shares. However, all securities reported on the Schedule 13G/A are owned by the Funds, and Dimensional and its subsidiaries disclaim beneficial ownership of all of the shares shown.

(3) Includes (i) 130,000 shares owned by Invemed Associates LLC, in which Mr. Langone owns an 81% interest and of which Mr. Langone serves as President and Chief Executive Officer, as to which Mr. Langone has shared voting and investment power and of which Mr. Langone disclaims beneficial ownership, except to the extent of his pecuniary interest therein; (ii) 30,000 shares owned by Mr. Langone’s wife, as to which Mr. Langone has shared voting and investment power and of which Mr. Langone disclaims beneficial ownership; and (iii) 31,353 shares that Mr. Langone has the right to receive pursuant to restricted stock units that will automatically convert into shares of Common Stock following termination of his services as a director.

(4) This information is based upon a Schedule 13G/A filed with the SEC on February 12, 2018 by Impala Asset Management LLC, whose address is 107 Cherry Street, New Canaan, Connecticut 06840. The Schedule 13G/A reports that Impala Asset Management LLC has sole voting and investment power over all of the shares shown. Impala Asset Management LLC, in its capacity as the investment adviser or manager to various private funds, has the power to direct the investment activities of each of the private funds.

(5) This information is based upon a Schedule 13G filed with the SEC on February 9, 2018 by Victory Capital Management Inc. (“Victory Capital”), whose address is 4900 Tiedeman Road, 4th Floor, Brooklyn, Ohio 44144. The Schedule 13G reports that Victory Capital has sole voting power over 1,069,358 shares, shared voting power over no shares and sole investment power over all of the shares shown. The Schedule 13G further reports that (i) clients of Victory Capital, including investment companies registered under the Investment Company Act of 1940 and separately managed accounts, have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Common Stock; and (ii) no client of Victory Capital has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, more than 5% of the Common Stock, except the Victory Sycamore Small Company Opportunity Fund, an investment company registered under the Investment Company Act of 1940, which has an interest of 5.05% of the Common Stock.

(6) This information is based upon a Schedule 13D/A filed jointly with the SEC on August 1, 2018 by ValueAct Spring Master Fund, L.P., VA Partners I, LLC, ValueAct Capital Management, L.P., ValueAct Capital Management, LLC, ValueAct Holdings, L.P. and ValueAct Holdings GP, LLC (collectively, “ValueAct Capital”), each of whose address is One Letterman Drive, Building D, 4th Floor, San Francisco, California 94129. The Schedule 13D/A reports that ValueAct Capital has sole voting and investment power over all of the shares shown.

(7) Consists of (i) 5,000 shares that Mr. Ackerman has the right to purchase pursuant to stock options that are currently exercisable; and (ii) 5,000 shares that Mr. Ackerman has the right to receive pursuant to restricted stock units that will vest on October 5, 2018 and that will automatically convert into shares of Common Stock following termination of his employment with the Company.

(8) Consists of (i) 1,510,402 shares owned by Impala Asset Management LLC and Impala Asset Advisors LLC, which are investment manager and general partner, respectively, to funds that hold such securities; and (ii) 10,288 shares that Mr. Bishop has the right to receive pursuant to restricted stock units that will automatically convert into shares of Common Stock following termination of his services as a director. Mr. Bishop is the founder, the Managing Principal and a member of Impala Asset Management LLC and Impala Asset Advisors LLC and a limited partner in some of the funds that hold the securities owned by Impala Asset Management LLC and Impala Asset Advisors LLC, as to which Mr. Bishop has shared voting and investment power and of which Mr. Bishop disclaims beneficial ownership, except to the extent of his pecuniary interest therein.

(9) Consists of 3,135 shares that Mr. Carey has the right to receive pursuant to restricted stock units that will automatically convert into shares of Common Stock following termination of his services as a director.

(10) Includes (i) 83,500 shares that Mr. Caudle has the right to purchase pursuant to stock options that are currently exercisable; and (ii) 7,500 shares that Mr. Caudle has the right to receive pursuant to restricted stock units that will automatically convert into shares of Common Stock following termination of his employment with the Company.

(11) Includes 11,503 shares that Mr. Charron has the right to receive pursuant to restricted stock units that will automatically convert into shares of Common Stock following termination of his services as a director.

(12) Includes (i) 6,666 shares that Mr. Cox has the right to purchase pursuant to stock options that are currently exercisable; and (ii) 31,353 shares that Mr. Cox has the right to receive pursuant to restricted stock units that will automatically convert into shares of Common Stock following termination of his services as a director.

(13) Consists of (i) 5,000 shares that Mr. Gerstein has the right to purchase pursuant to stock options that are currently exercisable; and (ii) 5,000 shares that Mr. Gerstein has the right to receive pursuant to restricted stock units that vested and converted into shares of Common Stock on September 13, 2018.

(14) Includes 8,334 shares that Mr. Hall has the right to purchase pursuant to stock options that are currently exercisable.

(15) Includes 6,200 shares that Mr. Kilts has the right to receive pursuant to restricted stock units that will automatically convert into shares of Common Stock following termination of his services as a director.

(16) Includes (i) 5,849 shares owned by Mr. Mead's wife, as to which Mr. Mead has shared voting and investment power and of which Mr. Mead disclaims beneficial ownership; and (ii) 10,108 shares that Mr. Mead has the right to receive pursuant to restricted stock units that will automatically convert into shares of Common Stock following termination of his services as a director.

(17) Consists of 29,545 shares that Ms. Present has the right to receive pursuant to restricted stock units that will automatically convert into shares of Common Stock following termination of her services as a director.

(18) Consists of 13,334 shares that Mr. Smosna has the right to purchase pursuant to stock options that are currently exercisable.

(19) Includes (i) 5,000 shares that Mr. Vegas has the right to purchase pursuant to stock options that are currently exercisable; and (ii) 5,000 shares that Mr. Vegas has the right to receive pursuant to restricted stock units that will vest and convert into shares of Common Stock on September 20, 2018.

(20) Includes 925,000 shares held by ValueAct Spring Master Fund, L.P., which may be deemed to be indirectly beneficially owned by (i) VA Partners I, LLC as General Partner of ValueAct Spring Master Fund, L.P.; (ii) ValueAct Capital Management, L.P. as the manager of ValueAct Spring Master Fund, L.P.; (iii) ValueAct Capital Management, LLC as General Partner of ValueAct Capital Management, L.P.; (iv) ValueAct Holdings, L.P. as the sole owner of the limited partnership interests of ValueAct Capital Management, L.P. and the membership interests of ValueAct Capital Management, LLC and as the majority owner of the membership interests of VA Partners I, LLC; and (v) ValueAct Holdings GP, LLC as General Partner of ValueAct Holdings, L.P. (the foregoing entities, collectively, the "ValueAct Entities"). Ms. Zlotnicka and each of the ValueAct Entities disclaim beneficial ownership of the reported securities except to the extent of her or its pecuniary interest therein.

Proposal 1:
Election of Directors

The Board of Directors currently consists of 11 members. The Board has nominated the 11 persons listed below for election as directors at the Annual Meeting. If elected, each nominee will serve until his or her term expires at the 2019 Annual Meeting of Shareholders or until his or her successor is duly elected and qualified. Each nominee has agreed to be named in this Proxy Statement and to serve if elected.

All of the nominees are currently serving as directors. Except for Albert P. Carey, who was elected to the Board of Directors in January 2018, and Eva T. Zlotnicka, who was elected to the Board of Directors in August 2018, all of the nominees were elected to the Board at the 2017 Annual Meeting of Shareholders. Mr. Carey and Ms. Zlotnicka were initially identified to the Board as potential directors by non-management directors of the Company.

Although the Company knows of no reason why any of the nominees would not be able to serve, if any nominee is unavailable for election, the proxy holders intend to vote your shares for any substitute nominee proposed by the Board. At the Annual Meeting, proxies cannot be voted for a greater number of individuals than the 11 nominees named in this Proxy Statement.

The Board of Directors unanimously recommends that you vote "FOR" the election of each of the 11 nominees listed below.

Unless a proxy card (or voting instruction properly submitted by telephone or via the Internet) is marked to give a different direction, the persons named as attorneys-in-fact in the proxy card will vote **"FOR"** the election of each of the 11 nominees listed below.

Nominees for Director

Listed below are the 11 persons nominated for election to the Board of Directors. The following paragraphs include information about each director nominee's business background, as furnished to the Company by the nominee, and additional experience, qualifications, attributes or skills that led the Board of Directors to conclude that the nominee should serve on the Board.

Name	Age	Principal Occupation	Director Since
Robert J. Bishop	61	Managing Principal, Impala Asset Management LLC	2016
Albert P. Carey	67	Chief Executive Officer, PepsiCo North America	2018
Thomas H. Caudle, Jr.	66	President & Chief Operating Officer of UNIFI	2016
Paul R. Charron	76	Independent Management Consultant	2016
Archibald Cox, Jr.	78	Chairman, Sextant Group, Inc.	2008
Kevin D. Hall	59	Chairman of the Board and Chief Executive Officer of UNIFI	2017
James M. Kilts	70	Founding Partner, Centerview Capital	2016
Kenneth G. Langone	82	President and Chief Executive Officer, Invemed Associates LLC	1969
James D. Mead	74	President, James Mead & Company	2015
Suzanne M. Present	59	Principal, Gladwyne Partners, LLC	2011
Eva T. Zlotnicka	35	Vice President, ValueAct Capital	2018

Robert J. Bishop

Mr. Bishop founded Impala Asset Management LLC, a private investment management company, in 2004 and is the Managing Principal of the firm and manages the Impala, Waterbuck, Alpha and Resource Funds and other managed accounts. From 2002 to 2003, he was Chief Investment Officer at

Soros Fund Management overseeing the Quantum Endowment Fund. From 1998 to 2002, he was a principal at Maverick Capital. Mr. Bishop was a portfolio manager at Kingdon Capital from 1995 to 1998 and, from 1992 to 1995, he was a managing director of Tiger Management. From 1986 to 1992, Mr. Bishop was an equity analyst at Salomon Brothers and, from 1980 to 1984, he worked as a legislative assistant/director for Congressmen Toby Roth and Don Ritter.

Mr. Bishop brings valuable financial and managerial expertise to the Board through his extensive experience in investment and asset management.

Albert P. Carey

Mr. Carey has served as Chief Executive Officer of PepsiCo North America, a consumer products company, since April 2016. In this role, he is responsible for leading PepsiCo's beverages, Frito-Lay and Quaker Foods businesses in North America. Previously, he was Chief Executive Officer of PepsiCo North America Beverages from July 2015 to April 2016, Chief Executive Officer of PepsiCo Americas Beverages from 2011 to July 2015 and President and Chief Executive Officer of Frito-Lay North America from 2006 to 2011. Mr. Carey began his career with PepsiCo in 1981 and has served in a number of other positions during his career with the company, including President of PepsiCo Sales from 2003 to 2006, Chief Operating Officer of PepsiCo Beverages and Foods North America from 2002 to 2003 and Senior Vice President of Sales and Retailer Strategies from 1998 to 2002. Prior to joining PepsiCo, Mr. Carey spent seven years at The Procter & Gamble Company. He also currently serves on the board of directors of The Home Depot, Inc.

Mr. Carey brings to the Board more than 40 years of experience with consumer product companies. In addition, having served in a number of senior executive positions at PepsiCo, Mr. Carey brings to the Board valuable leadership and strategic management skills.

Thomas H. Caudle, Jr.

Mr. Caudle has served as President & Chief Operating Officer of UNIFI since August 2017. Previously, he was President of the Company from April 2016 to August 2017, Vice President of Manufacturing of the Company from October 2006 to April 2016 and Vice President of Global Operations of the Company from April 2003 to October 2006. Mr. Caudle joined UNIFI in 1982 and, since that time, has served in a variety of other leadership roles, including Senior Vice President in charge of manufacturing for the Company and Vice President of Manufacturing Services.

Mr. Caudle's more than 35 years of experience with UNIFI give him a comprehensive knowledge of the Company and the textile industry. He also brings important managerial and operational expertise to the Board.

Paul R. Charron

Mr. Charron has been a management consultant since 2007. He served as Chairman and Chief Executive Officer of Liz Claiborne Inc., a global fashion company, from 1996 to 2006 and was President and Chief Executive Officer in 1995 and Vice Chairman and Chief Operating Officer in 1994. Before joining Liz Claiborne Inc., Mr. Charron held executive positions with each of V.F. Corporation (between 1988 and 1994), Brown & Bigelow (between 1983 and 1987) and Cannon Mills Company (between 1981 and 1983), after beginning his business career in positions with The Procter & Gamble Company (1971 to 1978) and General Foods Corporation (1979 to 1981). Mr. Charron served as a director of Campbell Soup Company from 2003 to 2015 and as Chairman of its board of directors from 2009 to 2015. He served as Senior Advisor at Warburg Pincus, a global private equity firm, from 2008 to 2012. Mr. Charron has also been a member of Escada SE's (Germany) Supervisory Board since 2013.

Mr. Charron brings to the Board extensive experience in a number of critical areas, including leadership, strategic management and corporate strategy. Mr. Charron also brings to the Board valuable experience with global consumer product companies.

Archibald Cox, Jr.

Mr. Cox has served as Chairman of Sextant Group, Inc., a financial advisory and private equity firm, since 1993. Mr. Cox is the former Chairman of Barclays Americas, a position he held from May 2008 to June 2011. Mr. Cox was a director of Hutchinson Technology Incorporated from May 1996 to September 2009. He was also Chairman of Magnequench, Inc., a manufacturer of magnetic material, from September 2005 to September 2006 and President and Chief Executive Officer of Magnequench, Inc. from October 1995 to August 2005. Mr. Cox was Chairman of Neo Material Technologies Inc., a manufacturer of rare earth, zirconium and magnetic materials, from September 2005 to September 2006. Mr. Cox also serves on the boards of several private companies and as Chairman of two of these companies. Since July 2012, Mr. Cox has served on the board of trustees of St. Paul's School, a secondary educational institution located in Concord, New Hampshire, where he currently serves as board president. Mr. Cox has served as Lead Independent Director of UNIFI since October 2017.

Mr. Cox brings to the Board executive decision-making skills, operating and management experience, expertise in finance, and investment and business development experience. In addition, Mr. Cox brings to the Board considerable experience with financial and strategic planning matters critical to the oversight of the Company's financial reporting, compensation practices and business strategy implementation.

Kevin D. Hall

Mr. Hall has served as Chief Executive Officer of UNIFI since May 2017 and as Chairman of the Board since October 2017. Prior to joining UNIFI, Mr. Hall served as Chief Executive Officer of NatPets LLC, a high-growth natural/organic premium pet company, from September 2016 to May 2017. From 2014 to 2015, Mr. Hall was President and Chief Executive Officer of Geneva Watch Group, a global fashion watch and accessories business. Between 2012 and 2014, Mr. Hall ran the KDH Advisory Group, a strategic marketing, branding and consulting firm, where he served as a consultant/advisor to a number of companies, including Pact at Revelry Brands, Vogue International and Inmar, Inc. From 2006 to 2011, Mr. Hall served as Chief Marketing Officer at Hanesbrands Inc. and then was promoted to President of the Outerwear strategic business unit of Hanesbrands Inc., a business unit that included Champion Activewear, Just My Size and Hanes Casualwear. From 2001 to 2006, Mr. Hall was Senior Vice President of Marketing at Fidelity Investments Retirement Services Company. Prior to that, Mr. Hall held various brand marketing and general manager positions at The Procter & Gamble Company from 1985 to 2001.

Mr. Hall brings to the Board more than 30 years of strategic marketing and brand development experience. In addition, Mr. Hall brings to the Board his substantial leadership and managerial experience in the apparel industry.

James M. Kilts

Mr. Kilts is the founding partner of Centerview Capital, a private equity firm which was founded in 2006. Mr. Kilts served as Chairman and Chief Executive Officer of The Gillette Company from 2001, and as President from 2003, until it merged with The Procter & Gamble Company in 2005, at which time he became Vice Chairman of The Procter & Gamble Company. Prior to Gillette, Mr. Kilts served as President and Chief Executive Officer of Nabisco Group Holdings Corporation from 1998 until its acquisition by the Philip Morris Companies in 2000. Before joining Nabisco, Mr. Kilts was an Executive

Vice President of the Philip Morris Companies from 1994 to 1997 and headed the Worldwide Food Group. In that role, Mr. Kilts was responsible for integrating Kraft and General Foods and for shaping the group's domestic and international strategy. Mr. Kilts has served as a member of the board of directors of MetLife, Inc. since 2005, Pfizer Inc. since 2007 and The Simply Good Foods Company (formerly known as Conyers Park Acquisition Corp.) since 2016. Mr. Kilts was also Chairman of Nielsen Holdings N.V. until 2013, Chairman of Nielsen Company B.V. until 2014, Chairman of Big Heart Pet Brands until 2015 and a director of MeadWestvaco Corporation until 2014 and Nielsen Holdings plc until 2017.

As Chief Executive Officer of Gillette and Nabisco and as Vice Chairman of Procter & Gamble, Mr. Kilts developed valuable business, leadership and strategic management skills, including expertise in cost management, value creation and resource allocation, which he brings to the Board. Mr. Kilts also brings to the Board valuable experience with consumer product companies.

Kenneth G. Langone

Mr. Langone has been President and Chief Executive Officer of Invemed Associates LLC, an investment banking firm, since he founded the firm in 1974. From 2011 to 2013, he served as Chief Executive Officer, President and Chairman of Geeknet, Inc., a retailer of a wide range of products aimed at technology enthusiasts. Mr. Langone was a co-founder, and served as a director from 1978 to 2008, of The Home Depot, Inc. Mr. Langone was a director of ChoicePoint Inc. from 2002 to 2008, Geeknet, Inc. from 2010 to 2015, General Electric Company from 1999 to 2005 and YUM! Brands, Inc. from 1997 to 2012.

Mr. Langone brings to the Board extensive operating and management experience, including as Chief Executive Officer of a financial services business, financial expertise, and public company directorship and committee experience. In addition, Mr. Langone's extensive service on the Board of Directors provides the Board with a valuable historical perspective through which it can contextualize and direct the Company's performance and strategic planning.

James D. Mead

Mr. Mead is the founder, owner and President of James Mead & Company, an executive search and management consulting firm. Since founding James Mead & Company in 1988, Mr. Mead has handled executive search and management consulting assignments for numerous major publicly held companies and for several portfolio companies of major private equity firms. Prior to that, Mr. Mead held several positions with The Procter & Gamble Company from 1970 to 1984, including serving as the head of Procter & Gamble's worldwide sales personnel and as a multi-division manager in Europe and North America.

Mr. Mead brings to the Board extensive experience in a number of critical areas, including leadership and strategic management.

Suzanne M. Present

Ms. Present is a co-founder and has been a principal of Gladwyne Partners, LLC, a private partnership fund manager, since 1998. She has also served, since 2014, as executive director of Ken's Krew, Inc., a non-profit organization that provides training and other support services to individuals with intellectual and developmental disabilities to assist with entering the workforce. Ms. Present currently serves on the board of directors of Anshe Chung Studios, Limited, a privately held Chinese-based developer of content for virtual worlds, and she served on the board of directors of Geeknet, Inc. until 2010.

Through her experiences at Gladwyne Partners and service on various boards of directors, Ms. Present developed extensive financial expertise important to the oversight of the Company's audit functions and analysis of business strategies, which she brings to the Board.

Eva T. Zlotnicka

Ms. Zlotnicka is a Vice President of ValueAct Capital, an investment adviser. Prior to joining ValueAct Capital in February 2018, Ms. Zlotnicka was an Environmental, Social and Governance ("ESG") equity research analyst for nearly seven years. Most recently, Ms. Zlotnicka was US lead for the Sustainability Research team at Morgan Stanley, a global financial services firm, from January 2015 to February 2018, and held a similar role at UBS Investment Bank, a division of UBS Group AG, a Swiss multinational investment bank and financial services company, from July 2011 to January 2015. Prior to becoming an ESG equity research analyst, she spent five years at Morgan Stanley primarily focused on fixed income securities and derivatives. Ms. Zlotnicka also co-founded Women Investing for a Sustainable Economy (WISE), a global professional community.

Ms. Zlotnicka brings to the Board valuable expertise in sustainability and sustainable investing. Ms. Zlotnicka also brings to the Board extensive experience in a number of critical areas, including investment management and finance.

Corporate Governance

The Board of Directors

The Company is governed by the Board of Directors and its various committees. The Board and its committees have general oversight responsibility for the affairs of the Company. In exercising its fiduciary duties, the Board represents and acts on behalf of UNIFI's shareholders. The Board has adopted written corporate governance policies, principles and guidelines, known as the Corporate Governance Guidelines. The Board also has adopted (i) a Code of Ethics for Senior Financial and Executive Officers (the "Code of Ethics for Senior Financial and Executive Officers"), which applies to the Company's Chief Executive Officer, Chief Financial Officer, Vice President & Treasurer, Vice President of Finance and other senior financial and executive officers and employees; (ii) a Code of Business Conduct and Ethics (the "Code of Ethics"), which applies to the Company's directors and executive officers; and (iii) an Ethical Business Conduct Policy Statement (the "Ethics Policy Statement"), which applies to the Company's directors, officers and employees. The Code of Ethics for Senior Financial and Executive Officers, the Code of Ethics and the Ethics Policy Statement include guidelines relating to the ethical handling of actual or potential conflicts of interest, compliance with laws, accurate financial reporting and other related topics.

Documents Available

All of the Company's corporate governance materials, including the charters for the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee, as well as the Corporate Governance Guidelines, the Code of Ethics for Senior Financial and Executive Officers, the Code of Ethics and the Ethics Policy Statement, are published on the investor relations portion of the Company's website at *www.unifi.com*. These materials are also available in print free of charge to any shareholder upon request by contacting the Company at Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410, Attention: Investor Relations, or by telephone at (336) 294-4410. Any modifications to these corporate governance materials will be reflected, and the Company intends to post any amendments to, or waivers from, the Code of Ethics for Senior Financial and Executive Officers (to the extent required to be disclosed pursuant to Form 8-K) on the investor relations portion of the Company's website at *www.unifi.com*. By referring to the Company's website, *www.unifi.com*, or any portion thereof, including the investor relations portion of the Company's website, the Company does not incorporate its website or its contents into this Proxy Statement.

Director Independence

The Board believes that a majority of its members are independent under both the applicable NYSE rules and the applicable SEC rules. The NYSE rules provide that a director does not qualify as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company). The NYSE rules recommend that a board of directors consider all of the relevant facts and circumstances in determining the materiality of a director's relationship with a company. The Board has adopted Director Independence Standards, which incorporate the independence standards of the NYSE rules, to assist the Board in determining whether a director has a material relationship with UNIFI. The Director Independence Standards are available on the investor relations portion of the Company's website, *www.unifi.com*, as an appendix to the Corporate Governance Guidelines.

In August 2018, the Board of Directors, with the assistance of the Corporate Governance and Nominating Committee, conducted an evaluation of director independence based on the Director Independence Standards, the NYSE rules and the SEC rules. The Board considered all relationships and transactions between each director (and his or her immediate family members and affiliates) and each of UNIFI, its management and its independent registered public accounting firm, as well as the transactions described below under "—Related Person Transactions." As a result of this evaluation, the Board determined those relationships that do exist or did exist within the last three fiscal years (except for Messrs. Hall's and Caudle's relationships as employees of UNIFI) all fall below the thresholds in the Director Independence Standards. Consequently, the Board of Directors determined that each of Messrs. Bishop, Carey, Charron, Cox, Kilts, Langone and Mead and Mses. Present and Zlotnicka is an independent director under the Director Independence Standards, the NYSE rules and the SEC rules. The Board also determined that each member of the Audit, Compensation and Corporate Governance and Nominating Committees (see membership information below under "—Board Committees") is independent, including that each member of the Audit Committee is "independent" as that term is defined under Rule 10A-3(b)(1)(ii) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Board Leadership Structure

Kevin D. Hall currently holds the positions of Chairman of the Board and Chief Executive Officer of the Company. The Company's Corporate Governance Guidelines provide that the Board has no established policy with respect to combining or separating the offices of Chairman of the Board and Chief Executive Officer, but rather that this decision is made depending on what the Board determines to be in the best interests of the Company and its shareholders at any given point in time. The Company's Corporate Governance Guidelines further provide that if the Chairman is not determined by the Board as independent, the independent directors may determine that the Board should have a Lead Independent Director. In the event that the independent directors make such a determination, the Lead Independent Director is appointed by a majority of the independent directors. In October 2017, the independent directors appointed Archibald Cox, Jr. to serve as Lead Independent Director.

The duties of the Lead Independent Director include: (i) providing leadership to the Board; (ii) chairing Board meetings in the absence of the Chairman; (iii) organizing, setting the agenda for and leading executive sessions of the independent directors without the attendance of management; (iv) serving as a liaison between management and the independent directors; (v) consulting with the Chairman to approve the agenda for each Board meeting and the information that shall be provided to the directors for each scheduled meeting; (vi) approving meeting schedules to assure that there is sufficient time for discussion of all agenda items; (vii) meeting with the Chairman between Board meetings as appropriate in order to facilitate Board meetings and discussions; (viii) advising the Corporate Governance and Nominating Committee on the selection of committee chairpersons; and (ix) having the authority to call meetings of the independent directors.

Board Committees

The Board has a standing Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee. Committee members and committee chairs are appointed by the Board of Directors. The members of these committees are identified in the following table:

Name	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
Robert J. Bishop	Member		
Albert P. Carey			Member
Thomas H. Caudle, Jr.			
Paul R. Charron	Member		Chair
Archibald Cox, Jr.		Chair	
Kevin D. Hall			
James M. Kilts		Member	
Kenneth G. Langone		Member	
James D. Mead			Member
Suzanne M. Present	Chair		
Eva T. Zlotnicka			

Each committee of the Board of Directors functions pursuant to a written charter adopted by the Board. The following table provides information about the operation and key functions of these committees:

Committee	Key Functions and Additional Information	Number of Meetings in Fiscal 2018
Audit Committee	• Assists the Board in its oversight of (i) the Company's accounting and financial reporting processes, (ii) the integrity of the Company's financial statements, (iii) the Company's compliance with legal and regulatory requirements, (iv) the qualifications and independence of the Company's independent registered public accounting firm and (v) the performance of the Company's internal audit function and the Company's independent registered public accounting firm. • Appoints, compensates, retains and oversees the Company's independent registered public accounting firm. • Reviews and discusses with management and the Company's independent registered public accounting firm the annual and quarterly financial statements. • Reviews and discusses with management the quarterly earnings releases. • Reviews and pre-approves all audit and non-audit services proposed to be performed by the Company's independent registered public accounting firm. • Reviews and, if appropriate, approves or ratifies related person transactions. • Discusses with management, the Company's independent registered public accounting firm and Company personnel responsible for the Company's internal audit function the quality and adequacy of the Company's internal controls. • Assists the Board in its oversight of enterprise risk management. • The Board of Directors has determined that each of Ms. Present and Mr. Charron is an "audit committee financial expert" within the meaning of the SEC rules and that each of Ms. Present and Messrs. Bishop and Charron is "financially literate" and has accounting or related financial management expertise, in each case as determined by the Board, in its business judgment.	9
Compensation Committee	• Oversees the administration of the Company's compensation plans. • Reviews and approves the compensation of the executive officers and oversees decisions concerning compensation of other officers. • Reviews and makes recommendations to the independent directors on the Board with respect to any employment agreements, consulting arrangements, severance or retirement arrangements or change of control agreements and provisions covering any current or former executive officer of the Company. • Conducts annual performance evaluation of management. • Oversees regulatory compliance regarding compensation matters.	6

Committee	Key Functions and Additional Information	Number of Meetings in Fiscal 2018
Corporate Governance and Nominating Committee	• Identifies, evaluates and recommends director candidates to the Board. • Determines the criteria for membership on the Board and its committees and recommends such criteria to the Board for approval. • Makes recommendations to the Board concerning committee appointments and Board and committee leadership. • Makes recommendations to the Board with respect to determinations of director independence. • Reviews and recommends to the Board the form and amount of director compensation. • Oversees annual performance evaluation of the Board, the committees of the Board, leadership of the Board (including the Chairman of the Board and the Lead Independent Director) and individual directors. • Oversees director education and new director onboarding. • Considers and recommends to the Board other actions relating to corporate governance.	5

The Board may also establish other committees from time to time as it deems necessary.

Director Meeting Attendance

The Board of Directors held six meetings during fiscal 2018. Each incumbent director attended 75% or more of the aggregate number of meetings of the Board and committees of the Board on which the director served during fiscal 2018. It is the Board's policy that the directors should attend the Company's annual meeting of shareholders absent extenuating circumstances. All of the Company's nine directors in office at the time attended the 2017 Annual Meeting of Shareholders.

Pursuant to the Company's Corporate Governance Guidelines, the independent directors meet in regularly scheduled executive sessions without management. Mr. Cox, as the Lead Independent Director, presides over these executive sessions.

Director Nomination Process

The Corporate Governance and Nominating Committee is responsible for identifying and evaluating individuals qualified to become members of the Board and for recommending to the Board the individuals for nomination as members. In considering whether to recommend any particular candidate for inclusion in the Board's slate of recommended director nominees, the Corporate Governance and Nominating Committee considers the following criteria, in addition to other factors it may determine appropriate: (i) the candidate's roles and contributions valuable to the business community; (ii) the candidate's diversity, integrity, accountability, informed judgment, financial literacy, passion, creativity and vision; (iii) the candidate's knowledge about the Company's business or industry; (iv) the candidate's independence; (v) the candidate's willingness and ability to devote adequate time and effort to Board responsibilities in the context of the existing composition and needs of the Board and its committees; and (vi) the NYSE rules.

Neither the Corporate Governance and Nominating Committee nor the Board has a specific policy with regard to the consideration of diversity in identifying director nominees. However, the Board believes that men and women of different ages, races, and ethnic and cultural backgrounds can contribute different and useful perspectives, and can work effectively together to further the Company's objectives, and, as noted above, a candidate's diversity is one of the criteria that the Corporate Governance and Nominating Committee considers in evaluating potential director nominees.

The Corporate Governance and Nominating Committee may, at its discretion, hire third parties to assist in the identification and evaluation of director nominees.

Shareholder Recommendations of Director Candidates

Recommendations by shareholders for director candidates to be considered for the 2019 Annual Meeting of Shareholders must be in writing and received by the Company's Secretary at Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410 no earlier than July 3, 2019 and no later than August 2, 2019. However, if the date of the 2019 Annual Meeting of Shareholders is more than 30 days before or more than 90 days after October 31, 2019, then the written notice must be received by the Company's Secretary no earlier than 120 days prior to the date of the 2019 Annual Meeting of Shareholders and no later than the close of business on the later of (i) 90 days prior to the date of such annual meeting or (ii) 10 days following the day on which the Company first announced publicly (or mailed notice to the shareholders of) the date of such meeting.

The notice must contain certain information about both the nominee and the shareholder submitting the nomination as set forth in the Company's Amended and Restated By-laws. With respect to the nominee, the notice must contain, among other things, (i) the nominee's name, age and business and residential addresses; (ii) the nominee's background and qualification, including, the principal occupation or employment of the nominee; (iii) the class and number of shares or other securities of the Company owned of record or beneficially by the nominee or any Shareholder Associated Person (as defined in the Company's Amended and Restated By-laws); (iv) any derivative positions held of record or beneficially by the nominee or any Shareholder Associated Person related to, or the value of which is derived in whole or in part from, the value of any class of the Company's shares or other securities and whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement or understanding has been made, the effect or intent of which is to mitigate loss to, or to manage the risk or benefit from share price changes for, or to increase or decrease the voting power of, the nominee or any Shareholder Associated Person with respect to the Company's shares or other securities; (v) a written statement executed by the nominee (A) acknowledging that as a director of the Company, the nominee will owe a fiduciary duty under New York law with respect to the Company and its shareholders, (B) disclosing whether the nominee is a party to an agreement, arrangement or understanding with, or has given any commitment or assurance to, any person or entity as to how the nominee, if elected as a director of the Company, will act or vote on any issue or question, (C) disclosing whether the nominee is a party to an agreement, arrangement or understanding with any person or entity other than the Company with respect to any direct or indirect compensation, reimbursement or indemnification in connection with the nominee's service or action as a director of the Company, (D) agreeing to update continually the accuracy of the information required by the immediately preceding clauses (B) and (C) for as long as the nominee is a nominee or a director of the Company and (E) agreeing, if elected as a director of the Company, to comply with all codes of conduct and ethics, corporate governance, conflicts of interest, confidentiality and stock ownership and trading policies and guidelines of the Company applicable to directors; and (vi) any other information regarding the nominee or any Shareholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with a contested solicitation of proxies for the election of directors or that the Company may reasonably require to determine the eligibility of the nominee to serve as a director of the Company. With respect to the shareholder submitting the nomination, the notice must contain: (1) the name and address, as they appear on the Company's books, of such shareholder and any Shareholder Associated Person; (2) the class and number of shares or other securities of the Company owned of record or beneficially by such shareholder or any Shareholder Associated Person; (3) any derivative positions held of record or beneficially by such shareholder or any Shareholder Associated Person related to, or the value of which is derived in whole or in part from, the value of any class of the Company's shares or other securities and whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement or understanding has been made, the effect or intent of which is to mitigate loss to, or to manage the risk or benefit from share price changes for, or to increase or decrease the voting power of, such shareholder or any Shareholder Associated Person with respect to the Company's shares or other securities; (4) any other information regarding such shareholder or any Shareholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with a contested solicitation of proxies for the election of directors; and (5) a representation whether either such shareholder or any Shareholder Associated Person intends to, or is part of a group which intends to, deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's outstanding capital stock required to elect the nominee and/or otherwise to solicit proxies from shareholders in support of such nomination.

A shareholder who is interested in recommending a director candidate should request a copy of the Company's Amended and Restated By-laws by writing to the Company's Secretary at Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410. Recommended candidates will be subject to a background check by a qualified firm of the Company's choosing. Appropriate submission of a recommendation by a shareholder does not guarantee the selection of the shareholder's candidate or the inclusion of the candidate in the Company's proxy materials; however, the Corporate Governance and Nominating Committee will consider any such candidate in accordance with the director nomination process described above.

Annual Evaluation of Directors and Board Committee Members

The Board of Directors evaluates the performance of each director, each committee of the Board, the Chairman, the Lead Independent Director and the Board of Directors as a whole on an annual basis. In connection with this annual self-evaluation, each director records his or her views on the performance of each director standing for reelection, each committee and the Board of Directors. The entire Board of Directors reviews the results of these reports and determines what, if any, actions should be taken in the upcoming year to improve its effectiveness and the effectiveness of each director and committee.

No Hedging, Pledging or Short Selling

UNIFI maintains policies that apply to all directors, officers and employees that prohibit hedging, pledging or short selling (profiting if the market price decreases) of the Company's securities.

Policy for Review of Related Person Transactions

Pursuant to the Company's Related Persons Transactions Policy, which is available on the investor relations portion of the Company's website at *www.unifi.com*, the Company reviews relationships and transactions in which the Company and its directors and executive officers or their immediate family members are participants to determine whether such related persons have a direct or indirect material interest in the relationships or transactions. The Company's executive management is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related person transactions and for then determining, based on the facts and circumstances, whether a related person has a direct or indirect material interest in any such transaction. As required under the SEC rules, transactions that are determined to be directly or indirectly material to a related person are disclosed in this Proxy Statement. In addition, the Audit Committee reviews and, if appropriate, approves or ratifies any related person transaction that is required to be disclosed under the SEC rules. As set forth in the Audit Committee's charter, which is available on the investor relations portion of the Company's website at *www.unifi.com*, in the course of its review and, if appropriate, approval or ratification of a disclosable related person transaction, the Audit Committee considers the relevant facts and circumstances, including the material terms of the transaction, risks, benefits, costs, availability of other comparable services or products and, if applicable, the impact on a director's independence.

Related Person Transactions

In fiscal 2018, the Company paid Salem Leasing Corporation, a wholly owned subsidiary of Salem Holding Company, approximately $3.979 million in connection with leases of tractors and trailers and for related services. In addition, the Company earned income from Salem Global Logistics, Inc., a wholly owned subsidiary of Salem Holding Company, of approximately $147,000 in connection with providing for-hire freight services for Salem Global Logistics, Inc. Mr. Langone, a director of the Company, owns a non-controlling 33% equity interest in, and is a director and the Non-Executive Chairman of, Salem Holding Company. Mr. Langone is not an employee of Salem Holding Company or any of its subsidiaries and is not involved in the day-to-day operations of any such company. The terms of the Company's leases with Salem Leasing Corporation are, in the Company's opinion, no less favorable than the terms the Company would have been able to negotiate with an independent third party. The terms of payment to the Company by Salem Global Logistics, Inc. for the freight services were, in the Company's opinion, no less favorable than the terms the Company would have been able to negotiate with an independent third party. The foregoing transactions were approved under UNIFI's Related Persons Transactions Policy.

The Board's Role in Risk Oversight

The Board of Directors oversees the Company's risk profile and management's processes for assessing and managing risk, both as a whole Board and through its committees. The full Board reviews strategic risks and opportunities facing the Company. Among other areas, the Board is involved in overseeing risks related to the Company's overall strategy, business results, capital structure, capital allocation and budgeting, and executive officer succession. Certain other important categories of risk are assigned to designated Board committees (which are compromised solely of independent directors) that report back to the full Board. In general, the committees oversee the following risks:

- Audit Committee oversees risks related to internal financial and accounting controls, legal, regulatory and compliance risks, work performed by the Company's independent registered public accounting firm and the Company's internal audit function, related person transactions, and the overall risk management governance structure and risk management function;
- Compensation Committee oversees the Company's compensation programs and practices. For a detailed discussion of the Company's efforts to manage compensation-related risks, see "Compensation Discussion and Analysis—Risk Analysis of Compensation Programs and Practices" beginning on page 37; and
- Corporate Governance and Nominating Committee oversees issues that may create governance risks, such as Board composition and structure, director selection and director succession planning.

The Board believes that its ability to oversee risk is enhanced by having one person serve as the Chairman of the Board and the Chief Executive Officer. With his in-depth knowledge and understanding of the Company's operations and the apparel industry, the Board believes Mr. Hall, as Chairman of the Board and Chief Executive Officer, is better able to bring key strategic and business issues and risks to the Board's attention than would a Non-Executive Chairman of the Board or a non-director Chief Executive Officer.

Compensation Committee Advisors

The Compensation Committee has sole authority under its charter to retain compensation consultants and other advisors and to approve such consultants' and advisors' fees and retention terms. The Compensation Committee has retained Korn Ferry to serve as its independent advisor and to provide it with advice and support on executive compensation issues.

The Compensation Committee has reviewed and confirmed the independence of Korn Ferry as the Compensation Committee's compensation consultant. Neither Korn Ferry nor any of its affiliates provides any services to UNIFI except for services provided to the Compensation Committee. In addition to Korn Ferry, the Compensation Committee has reviewed the independence of each other outside advisor in advance of receiving advice from such person.

Communications with the Board of Directors

Shareholders and other interested parties can communicate directly with any of the Company's directors, by sending a written communication to a director at Unifi, Inc. c/o Secretary, 7201 West Friendly Avenue, Greensboro, North Carolina 27410. Shareholders and other interested parties wishing to communicate with Mr. Cox, as Lead Independent Director, or with the independent directors as a group may do so by sending a written communication to Mr. Cox at the above address. In addition, any party who has concerns about accounting, internal controls or auditing matters may contact the Audit Committee directly by sending a written communication to the Chair of the Audit Committee at the above address or by calling toll-free 1-800-514-5265. Such communications may be confidential or anonymous. All such communications are promptly reviewed before being forwarded to the addressee. Any concerns relating to accounting, internal controls, auditing matters or officer conduct are sent immediately to the Chair of the Audit Committee. UNIFI generally will not forward to directors a shareholder communication that it determines to be primarily commercial in nature, relates to an improper or irrelevant topic or requests general information about the Company.

Director Compensation

Pursuant to the Company's Director Compensation Policy, each director who is considered "independent" within the meaning of the Director Independence Standards adopted by the Board of Directors, which incorporate the independence standards of the NYSE rules, receives compensation for his or her service on the Board, while each non-independent director receives no compensation for his or her service as a director. In fiscal 2018, the Company's non-independent directors were Messrs. Thomas H. Caudle, Jr., and Kevin D. Hall. The following table sets forth the compensation paid to each independent director who served on the Board in fiscal 2018:

2018 Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[1]	Total ($)
Robert J. Bishop	—	150,000	150,000
Albert P. Carey[2]	—	113,514	113,514
Paul R. Charron	10,000	150,000	160,000
Archibald Cox, Jr.	30,000	150,000	180,000
James M. Kilts	—	150,000	150,000
Kenneth G. Langone	—	150,000	150,000
James D. Mead	50,000	100,000	150,000
Suzanne M. Present	—	165,000	165,000

(1) Represents the full grant date fair value of either (i) Common Stock, in the case of Mr. Kilts, or (ii) restricted stock unit awards, in the case of all independent directors other than Mr. Kilts, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("FASB ASC Topic 718"). Generally, the full grant date fair value is the amount that the Company would expense in the consolidated financial statements over the award's vesting schedule. For additional information regarding the assumptions made in calculating these amounts, see Note 16 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2018. These amounts reflect the accounting expense and do not correspond to the actual value that will be recognized by the directors.

As of June 24, 2018, Mr. Cox held 6,666 unexercised options to purchase shares of Common Stock and Mr. Mead held 3,944 unvested restricted stock units, scheduled to vest and convert to shares of Common Stock on July 25, 2018, in connection with executive recruiting services rendered by Mr. Mead in fiscal 2017. As of June 24, 2018, no other independent director held any unexercised options to purchase shares of Common Stock or any unvested restricted stock units.

(2) Mr. Carey was elected to the Board on January 24, 2018.

The Corporate Governance and Nominating Committee reviews the form and amount of director compensation and makes recommendations to the Board for its consideration and approval. The Corporate Governance and Nominating Committee and the Board of Directors approved the Company's Director Compensation Policy on October 25, 2017. The compensation for UNIFI's independent directors is as follows:

- $150,000 annual retainer, where up to 50% of such amount is payable (at the director's election) in cash and the remainder of such amount is an equity grant payable in shares of Common Stock;
- $20,000 annual retainer for the Lead Independent Director, payable (at the director's election) in cash or shares of Common Stock;
- $15,000 annual retainer for the Chair of the Audit Committee, payable (at the director's election) in cash or shares of Common Stock;

- $10,000 annual retainer for the Chairs of the Compensation Committee and the Corporate Governance and Nominating Committee, payable (at such director's election) in cash or shares of Common Stock; and
- reimbursement of reasonable expenses incurred for attending Board and committee meetings.

A director may be issued stock units, in lieu of shares of Common Stock, which would be payable upon the director's cessation of service as a member of the Board. The number of any shares of Common Stock or stock units granted to a director shall be determined based on the fair market value of the Common Stock on the date of the director's election to the Board.

Any independent director who is initially appointed or elected to the Board other than at the annual meeting of shareholders will receive his or her annual retainer calculated on a pro rata basis based upon the period between the date of such appointment or election and the anticipated date of the next annual meeting of shareholders.

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides an overview of the Company's executive compensation program, including:

- the process the Compensation Committee used to determine compensation and benefits for the following named executive officers ("NEOs") for fiscal 2018:

Kevin D. Hall	Chairman of the Board and Chief Executive Officer
Jeffrey C. Ackerman	Executive Vice President & Chief Financial Officer
Thomas H. Caudle, Jr.	President & Chief Operating Officer
Richard E. Gerstein	Executive Vice President, Global Branded Premium Value-Added Products & Chief Marketing Officer
John D. Vegas	Executive Vice President & Global Chief Human Resources Officer
Christopher A. Smosna	Vice President & Treasurer (Former Interim Chief Financial Officer from June 26, 2017 to September 5, 2017)

- the material elements of the Company's executive compensation program; and
- the key principles and objectives, including the Company's focus on pay for performance, that guide the Company's executive compensation program.

Executive Summary

Completion of Previously Announced Executive Team Additions

In fiscal 2018, the Company focused on enhancing its global supply chain, growing the market for its premium value-added ("PVA") products and using cash flow from operations to fund select capital projects and strategic growth opportunities while also building out its commercial and management team through talent recruitment. As part of these efforts, the Company completed a multi-year senior leadership team transition with the addition of Jeffrey C. Ackerman as Executive Vice President & Chief Financial Officer, Richard E. Gerstein as Executive Vice President, Global Branded Premium Value-Added Products & Chief Marketing Officer and John D. Vegas as Executive Vice President & Global Chief Human Resources Officer. These additional appointments provide a talented and deeply experienced team to capitalize on the strategic investments the Company has made across its business for sustainable growth and increases in shareholder value.

Company Performance Highlights

The Company's net sales for fiscal 2018 increased 4.9% primarily due to the continued emphasis on global sales of the Company's PVA products (including REPREVE®). However, despite the relative growth in PVA sales and overall sales, the Company experienced profitability challenges in fiscal 2018 during which operating income decreased from $43.8 million to $28.8 million. The primary challenges related to (i) persistently rising raw material costs and an inherent lag in implementing responsive price increases against cost-competitive imports, (ii) suppressed yarn demand in the Polyester and Nylon Segments, (iii) a less-profitable sales mix and (iv) increased selling, general and administrative expenses for talent acquisition, marketing and commercial expansion.

For purposes of executive officer performance evaluation, the Company achieved Adjusted EBITDA[1] (as hereinafter defined) of $56.2 million and Global PVA Revenue[2] of $302.2 million.

Executive Compensation Highlights

As described in greater detail below, the Company believes its executive compensation program should attract top executive talent, follow a pay-for-performance compensation model and link executive retention to long-term shareholder value. Accordingly, the Company took the following actions during fiscal 2018 with respect to compensation of its NEOs:

- awarded cash bonus payments to the NEOs at threshold payout levels based on the Company's performance for fiscal 2018; and

- entered into an employment agreement with each of Messrs. Ackerman, Gerstein and Vegas in connection with their recruitment to the Company that provides them compensation and benefits (including stock option and restricted stock unit awards) in-line with the market and their respective positions with the Company.

Compensation Philosophy, Principles and Policies

The Company's executive compensation philosophy is to:

Attract Top Executive Talent	Follow a Pay-for-Performance Compensation Model	Link Executive Retention to Long-Term Shareholder Value
The Company's executive compensation program should attract high-quality executives who possess the skills and talent necessary to support and achieve the Company's strategic objectives.	Executives should be rewarded for their achievement of near-term and long-term operating performance goals established by the Board.	The Company seeks to promote its executives' loyalty and retention by utilizing a stock ownership policy and other arrangements that further link executive compensation to sustained shareholder value and consistent Company performance.

Therefore, the focus of the Company's executive compensation program and the Compensation Committee is to ensure that an appropriate relationship exists between executive pay and the creation of shareholder value, while at the same time enabling the Company to attract, retain, reward and motivate talented and experienced executives. The Compensation Committee monitors the results of its executive compensation policy to ensure that compensation payable to executive officers creates proper incentives to enhance shareholder value, rewards superior performance, is justified by returns available to shareholders and discourages employees from taking unnecessary or excessive risks that could ultimately threaten the value of the Company.

In establishing compensation for the NEOs, the following principles and policies guide the Company's executive compensation decisions:

- set all components of executive compensation so that the Company can continue to attract, retain, reward and motivate talented and experienced executives;

[1] Adjusted EBITDA is a non-GAAP financial performance measure. A reconciliation of Net income attributable to Unifi, Inc., which is the most directly comparable GAAP measure, to Adjusted EBITDA is presented in Appendix A to this Proxy Statement.

[2] Global PVA Revenue represents the Company's aggregate net sales of PVA products in fiscal 2018.

- ensure alignment of executive compensation with the Company's corporate strategies and business objectives and the long-term interests of shareholders;

- increase the incentive to achieve key strategic and financial performance measures by linking incentive award opportunities to the achievement of performance goals in those areas; and

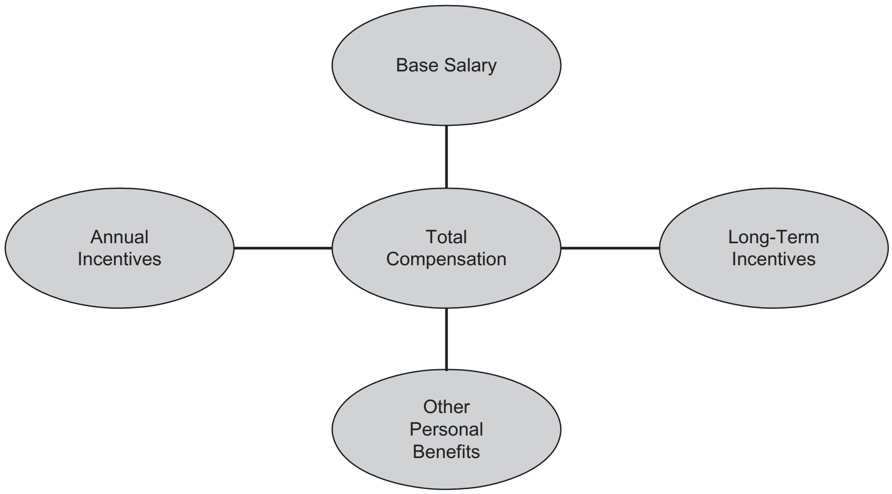
- enhance the NEOs' incentive to increase the Company's long-term value, as well as promote retention of key personnel, by providing a portion of total compensation opportunities in the form of direct ownership in the Company through stock ownership.

The Compensation Committee reviews and approves all components of the NEOs' compensation. The Compensation Committee also monitors the compensation levels in general for all other senior level employees of the Company. In addition, the Compensation Committee has the discretion to hire compensation and benefits consultants to assist in developing and reviewing overall executive compensation strategies.

What the Company Does	What the Company Doesn't Do
• The Company's pay-for-performance philosophy means the majority of executive officer compensation is "at risk" and tied to the creation of shareholder value.	• The Company doesn't discount, reload or reprice stock option awards.
• The Company's stock ownership guidelines align the interests of the Company's executives with those of its shareholders.	• The Company doesn't pay gross-ups for golden parachute excise taxes.
• The Company uses an objective financial performance measure in the annual incentive plan closely tied to the Company's business strategy.	• The Company doesn't permit hedging, pledging or short selling (profiting if the market price decreases) of UNIFI securities.
• The Company has caps on payouts for annual incentive compensation.	• The Company doesn't design compensation plans that encourage unnecessary or excessive risk.
• The Company has a robust clawback policy for annual and long-term incentive awards.	• The Company doesn't provide guaranteed minimum payouts of annual incentive opportunities.
• The Company has engaged an independent compensation consultant.	• The Company doesn't provide excessive perquisites.

Overview of Compensation Components

The Compensation Committee views executive compensation in four component parts:



A brief description of each of these components is provided below, together with a summary of its objectives:

Compensation Element	Description	Objectives
Base Salary	• Fixed compensation that is reviewed annually based on performance.	• Provide a base level of compensation that fairly accounts for the job and scope of the role being performed. • Attract, retain, reward and motivate talented and experienced executives.
Annual Incentives	• "At-risk" variable compensation earned based on performance measured against pre-established annual goals.	• Provide incentives for achieving annual operating goals that ultimately contribute to long-term value for shareholders.
Long-Term Incentives	• "At-risk" variable compensation in the form of equity awards whose value fluctuates according to shareholder value and that vest based on continued service. • Supplemental retirement contributions based on executives' respective base salaries earned over time subject to continued service.	• Align the economic interests of the Company's executives with its shareholders by rewarding executives for stock price improvement. • Promote retention (through time-based vesting schedules).
Other Personal Benefits	• Broad-based benefits provided to all of the Company's employees (e.g., health and group term life insurance), a retirement savings plan and certain perquisites.	• Provide a competitive total compensation package to attract and retain key executives.

Compensation Mix

Consistent with the philosophy, principles and policies of the executive compensation program, the program places approximately 60% of total executive compensation "at risk" based on the performance of the Company and the executive through an annual cash bonus incentive program and equity-based long-term incentive awards. The Company currently uses the Unifi, Inc. 2013 Incentive Compensation Plan (the "2013 Plan") to provide those equity-based awards. The Company believes the substantial weighting of performance-based compensation encourages its executives to achieve near-term and long-term operating performance goals designed to create or enhance shareholder value.

Control by the Compensation Committee

The Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of each NEO, evaluates each NEO's performance in light of these goals and objectives (with input from the principal executive officer for NEOs other than the principal executive officer), and sets each NEO's compensation level based on this evaluation and consultation. The Compensation Committee also advises senior management with respect to the range of compensation to be paid to other employees of the Company, administers and makes recommendations to the Board concerning benefit plans for the Company's directors, officers and employees and recommends benefit programs and future goals and objectives for the Company.

As in the past, the Compensation Committee continued to consider a wide range of factors in making its fiscal 2018 compensation decisions for the Company's NEOs, including the historical practices of the Company; the individual NEO's leadership and role in advancement of the Company's long-term strategy, plans and objectives; the individual NEO's performance and contribution to the Company's success; budget guidelines established by the Board; and an assessment of the Company's financial condition. Additionally, the Compensation Committee considered the Company's fiscal 2017 operating and Adjusted EBITDA results, along with the current economic climate. Based on this information and these factors, the Compensation Committee set executive compensation for fiscal 2018.

During fiscal 2018, the Compensation Committee engaged Korn Ferry as an independent advisor to assist the Compensation Committee with developing market-based compensation and benefit levels for newly recruited members of the Company's senior leadership team. The Compensation Committee does not believe it is appropriate to tie executive compensation directly to the compensation awarded by other companies or to a particular survey or group of surveys. Instead, the Compensation Committee consults with Korn Ferry to gain a general understanding of compensation practices and trends of similarly situated companies. The Compensation Committee members use that knowledge as a tool in considering the overall compensation of the Company's executives. No specific compensation decision for any individual was based on or justified by any market comparison reports or information.

Detailed Review of Compensation Components

Base Salaries

The Compensation Committee believes in maintaining a close relationship between the Company's performance and the base salary component of the compensation for each NEO. The factors considered by the Compensation Committee in setting the NEOs' base salaries include:

- the executive's leadership and role in advancement of the Company's long-term strategy, plans and objectives;
- the executive's performance and contribution to the Company's success;

- budget guidelines established by the Board; and
- an assessment of the Company's financial condition.

In addition to reviewing the above factors, the Compensation Committee also believes that strong and effective communication with management helps the Company adhere to its compensation philosophy, principles and policies. Therefore, the Compensation Committee consults with the principal executive officer and reviews his recommendations regarding the compensation of all NEOs (other than the principal executive officer) before making its final compensation decisions. Periodically, the principal executive officer meets with the other NEOs regarding their performance.

The base salaries for the NEOs for fiscal 2018 are set forth in the table below:

Name	Fiscal 2018 Base Salary ($)	Fiscal 2017 Base Salary ($)	Percentage Change
Kevin D. Hall	775,000	775,000	0.0%
Jeffrey C. Ackerman	480,000	N/A	N/A
Thomas H. Caudle, Jr.	770,000	770,000	0.0%
Richard E. Gerstein	400,000	N/A	N/A
John D. Vegas	400,000	N/A	N/A
Christopher A. Smosna	227,115	220,500	3.0%

The Compensation Committee made no adjustments to the base salaries of the NEOs (other than Mr. Smosna) during fiscal 2018, because the base salary for Mr. Hall was set when he joined the Company during the latter part of fiscal 2017, and Mr. Caudle received a salary increase in connection with his appointment as President of the Company in April 2016. The base salaries for Messrs. Ackerman, Gerstein and Vegas were set when they joined the Company's senior management team. The Compensation Committee approved a 3.0% increase in Mr. Smosna's base salary which matched the average salary increase granted to other employees of the Company.

Annual Incentive Compensation

To encourage executives to achieve near-term operating performance goals, the Company has established an annual incentive compensation program in the form of a cash bonus. All NEOs employed as of the beginning of the fiscal year or who are employed by January 1 of the fiscal year are eligible to earn annual bonuses based on the Company's fiscal year performance. Any bonus payouts for NEOs employed after the beginning of a fiscal year but prior to January 2 of the fiscal year are prorated.

For fiscal 2018, the Compensation Committee established a performance target of $70.2 million of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), adjusted to exclude certain items, such as equity in earnings of Parkdale America, LLC, and other operating or non-operating income or expense items necessary to understand and compare the underlying results of the Company ("Adjusted EBITDA"). The target Adjusted EBITDA level was based on the Board-approved business plan for fiscal 2018 and represented an increase of approximately $0.9 million above the fiscal 2017 Adjusted EBITDA target of $69.3 million.

The Compensation Committee uses Adjusted EBITDA as a measure for annual incentive compensation purposes because the Compensation Committee believes Adjusted EBITDA serves as a high-level proxy for cash generated from operations, which is a key performance indicator used by the

Board and management to assess the Company's operating results generally. The Compensation Committee also believes that a Company-wide performance measure, such as Adjusted EBITDA, is appropriate for each NEO because each NEO plays a vital role in the overall success of the Company. Therefore, the Compensation Committee believes that the annual variable compensation received by the NEOs should reflect the Company's near-term operating performance.

The incentive program included Global PVA Revenue as a performance target for a portion of Mr. Gerstein's 2018 annual incentive compensation. The Compensation Committee included this measure for Mr. Gerstein because it measures the performance of the business for which he has primary operating responsibility.

The annual incentive bonus awarded to NEOs may be decreased by the Compensation Committee as a result of the individual's performance and/or contribution to the Company's achievement of its financial objectives. Each NEO's performance, including the principal executive officer's, is evaluated against specific financial goals prior to payment of bonuses, and the final bonus payment may be adjusted relative to the achievement of those goals. The performance criteria in the annual incentive bonus program may be adjusted by either the Compensation Committee or the Board to account for unusual events, such as extraordinary transactions, asset dispositions and purchases, and mergers and acquisitions, if, and to the extent, either the Compensation Committee or the Board considers the effect of such events indicative of the Company's performance. Additionally, the Compensation Committee or the Board has the discretion to award additional bonus compensation even if a NEO would not be entitled to any bonus based on the targets previously determined. The Compensation Committee did not use discretion in fiscal 2018 to award any additional bonus compensation.

For fiscal 2018, the Compensation Committee set annual incentive opportunities, threshold, target and maximum performance levels and corresponding potential annual incentive payments to the eligible NEOs (based on percentages of base salary) as set forth in the tables below.

	Annual Incentive Opportunity (as a % of Base Salary)		
Name	**Threshold**	**Target**	**Maximum**
Kevin D. Hall	50.0%	100.0%	200.0%
Jeffrey C. Ackerman	37.5%	75.0%	150.0%
Thomas H. Caudle, Jr.	42.5%	85.0%	170.0%
Richard E. Gerstein	30.0%	50.0%	100.0%
John D. Vegas	30.0%	50.0%	100.0%
Christopher A. Smosna	20.0%	35.0%	50.0%

Name	**Performance Measure**	**Weight**	**Target Performance ($)**
Kevin D. Hall Jeffrey C. Ackerman Thomas H. Caudle, Jr. John D. Vegas Christopher A. Smosna	Adjusted EBITDA	100.0%	70.2 million
Richard E. Gerstein	Adjusted EBITDA Global PVA Revenue	75.0% 25.0%	70.2 million 280.0 million

The following table shows the threshold, target and maximum performance levels for each of the performance measures established by the Compensation Committee for fiscal 2018 as well as the Company's actual performance in fiscal 2018.

Performance Metric	Threshold Performance ($)	Target Performance ($)	Maximum Performance ($)	Actual Fiscal 2018 Performance ($)
Adjusted EBITDA	56.2 million	70.2 million	84.2 million	56.2 million
Global PVA Revenue	224.0 million	280.0 million	336.0 million	302.2 million

The fiscal 2018 Adjusted EBITDA performance shown above reflects the Company's publicly reported results, with Adjusted EBITDA further adjusted to exclude approximately $4.7 million in nonrecurring charges that were not anticipated when the fiscal 2018 performance measures were approved at the beginning of the fiscal year. The excluded charges include officer recruitment and severance costs of approximately $2.9 million, special project costs of approximately $1.0 million, foreign currency transaction losses of approximately $0.5 million and unbudgeted director compensation expense of approximately $0.3 million. After the exclusion of these charges, the Company's Adjusted EBITDA for fiscal 2018 was approximately $57.0 million or approximately $0.8 million above the threshold performance level for fiscal 2018 Adjusted EBITDA.

After completing its review of the Company's fiscal 2018 performance, the Compensation Committee exercised its discretionary authority to reduce Adjusted EBITDA to the threshold performance level. The Compensation Committee concluded that the resulting threshold level payouts under the 2018 annual incentive plan for the Company's Adjusted EBITDA performance were more appropriate than an above-threshold payout level that would have resulted from excluding 100% of the nonrecurring charges described above from the calculation of Adjusted EBITDA.

Based on the performance measures established by the Compensation Committee for fiscal 2018 and the Company's actual performance (adjusted as described above), the NEOs earned 2018 annual incentive awards as follows:

	2018 Annual Incentive Payout	
Name	% of Base Salary	Amount ($)
Kevin D. Hall	50.0%	387,500
Jeffrey C. Ackerman[(1)]	30.1%	144,493
Thomas H. Caudle, Jr.	42.5%	327,200
Richard E. Gerstein[(1)]	34.4%	137,556
John D. Vegas[(1)]	25.3%	101,260
Christopher A. Smosna	20.0%	45,423

(1) The payouts for Messrs. Ackerman, Gerstein and Vegas were prorated because they were not employed for the entire 2018 fiscal year.

In addition to his 2018 annual incentive award, Mr. Smosna received a $10,000 bonus in recognition of his service as Interim Chief Financial Officer.

Long-Term Incentive Compensation

The Compensation Committee believes that stock-based performance compensation is essential to align the interests of the Company's management and its shareholders in enhancing the long-term value of the Company's equity and to encourage executives to retain their employment with the Company. Among the varied types of equity awards the Compensation Committee is authorized to use under the 2013 Plan, the Compensation Committee has determined that incentive stock options are preferable for use with NEOs, because their value depends upon a future increase in the value of the Common Stock. The Compensation Committee also has determined that restricted stock unit grants to NEOs should be used for more limited purposes, such as retention or recruiting incentives or to recognize outstanding performance. For vice president-level employees other than NEOs, the Compensation Committee has determined that an equal blend of incentive stock options and restricted stock units is preferable to provide a mix composed of awards whose value depends upon a future increase in the value of the Common Stock (incentive stock options) and awards that serve primarily as a retention and recruitment tool (restricted stock units). For other key employees, the Compensation Committee has determined that restricted stock units are preferable, because they serve as important retention and recruiting tools.

Consistent with those determinations, in fiscal 2018, the Compensation Committee awarded stock options and restricted stock units to Messrs. Ackerman, Gerstein and Vegas in connection with their recruitment to the Company and stock options and restricted stock units to Mr. Smosna in connection with the annual award process, all as shown in the table below. Messrs. Hall and Caudle did not receive equity awards in fiscal 2018 because each of them received awards during the second half of fiscal 2017 in connection with Mr. Hall's appointment as Chief Executive Officer of the Company and Mr. Caudle's appointment as Chief Operating Officer of the Company.

Name	Grant Date	Number of Stock Options (#)	Exercise Price of Stock Options ($)	Number of Restricted Stock Units (#)
Jeffrey C. Ackerman	9/5/2017	15,000	31.23	20,000
Richard E. Gerstein	8/14/2017	15,000	30.96	20,000
John D. Vegas	8/21/2017	15,000	30.23	20,000
Christopher A. Smosna	3/1/2018	1,538	35.09	550

The stock option awards vest and become exercisable in three equal installments beginning on the first anniversary of the grant date. As "incentive stock options" (to the applicable maximum permitted under the 2013 Plan), these stock options offer the NEO the opportunity to receive favorable tax treatment if he retains the shares acquired upon exercise for at least one year. The restricted stock units vest 25% 30 days after the first anniversary of the grant date, 25% on the second anniversary of the grant date and 50% on the third anniversary of the grant date. For additional information on the stock options and restricted stock units granted in fiscal 2018, see "Executive Compensation Tables—Grants of Plan-Based Awards" below.

Perquisites and Other Benefits

Perquisites. The Compensation Committee's general philosophy is to provide executives, including the NEOs, with only limited perquisites. Therefore, the Company does not provide its NEOs with perquisites, such as car allowances, reimbursements for car expenses or payment of country club dues.

Retirement Benefits. In order to provide employees at all levels with greater incentives, the Company makes available to all employees, including the NEOs, the opportunity to make contributions to the Unifi, Inc. Retirement Savings Plan (the "401(k) Plan"), under which employees may elect to defer up to 75% of their total compensation, not to exceed the amount allowed by applicable Internal Revenue Service regulations. Pursuant to the 401(k) Plan, in fiscal 2018, the Company matched contributions equal to 100% of the employee's first 3% of compensation contributed to the 401(k) Plan and 50% of the next 2% of compensation contributed to the 401(k) Plan.

Health Plan, Life Insurance and Other Benefits. The Company makes available health and insurance benefits to all employees (subject to standard eligibility waiting periods), including the NEOs. The cost of the health plans is covered partially through employee payroll deductions, with the remainder covered by the Company. Disability and life insurance benefits are paid by the Company for all salaried employees; however, the NEOs receive additional life insurance coverage provided by the Company.

Supplemental Key Employee Retirement Plan. As an additional means of attracting top executive talent and encouraging executives to remain employed with the Company, the Company maintains the Unifi, Inc. Supplemental Key Employee Retirement Plan (the "SERP"). Participation in the SERP is limited to a select group of management employees who are selected by the Compensation Committee. As described in greater detail preceding the Nonqualified Deferred Compensation table on page 44, the SERP provides additional retirement benefits payable to the Company's NEOs following their termination of employment.

Employment Agreements. The Company is party to an employment agreement with each of Messrs. Hall, Ackerman, Caudle, Gerstein and Vegas. Each employment agreement provides that each executive will (i) receive an annual base salary at the annual rate set forth in the agreement, (ii) be eligible to receive bonuses and to participate in compensation plans of the Company in accordance with any plan or decision that the Board may determine from time to time, (iii) be paid or reimbursed for business expenses and (iv) be entitled to participate in other employment benefits generally available to other executives of the Company. The employment agreement also contains provisions regarding the termination of an executive's employment and related severance obligations. The executives agreed in their employment agreements to neither compete with the Company or its affiliated entities nor solicit their respective customers, suppliers or employees for the 12 months immediately following termination of employment.

A calculation of the estimated severance payments and benefits payable under the employment agreements are set forth under "Executive Compensation Tables—Potential Payments Upon Termination of Employment or Change in Control" beginning on page 45.

Policy on Executive Officer and Employee Incentive Compensation Recoupment

The Company has a written policy to address the recoupment of performance-based compensation awarded to or earned by an executive officer if there is a restatement of the Company's financial results due to material noncompliance of the Company with any financial reporting requirement under the federal securities laws. In the event of a restatement, the Board shall review the performance-based compensation awarded to or earned by the executive officers for the three-year period prior to the restatement event and, if the Board determines in its reasonable discretion that any such performance-based compensation would not have been awarded to or earned by an executive officer based on the restated financial results, the Board shall seek to recover from such executive officer any portion of the performance-based compensation that is greater than that which would have been awarded or earned had it been calculated on the basis of the restated financial results.

The Company's recoupment policy also addresses the recoupment of performance-based compensation awarded to or earned by any current or former employee if such employee engaged in certain misconduct (e.g., embezzlement, fraud or theft or unethical behavior that harms the Company's business, reputation or other employees). In such event, the Board may require reimbursement of compensation granted, earned or paid under any Company annual incentive or long-term incentive cash plans to such employee and cancellation of outstanding equity awards and reimbursement of any gains realized on the exercise, settlement or sale of equity awards held by such employee at any time during the three-year period ending on the date on which such misconduct is discovered.

Officers Stock Ownership Policy

The Company has adopted an Officers Stock Ownership Policy to enhance the Company's ongoing objective to align the compensation paid to its officers with the long-term interests of shareholders. The policy applies to any NEO, any person who holds the position of Vice President, Treasurer or higher with the Company, its primary operating subsidiary and possible other significant operating subsidiaries ("VP-Level Personnel"), and to certain other persons below those levels who may be designated for coverage by the Compensation Committee (for purposes of the policy, collectively, "covered officers"). The policy provides for a ramp-up period for complying with the expected stock ownership levels, both upon the initial implementation of the policy and thereafter upon each person first becoming a NEO or other covered officer. If a covered officer fails to comply with the stock ownership expectation, the Compensation Committee considers that fact in setting future salary, bonus or other compensation for the covered officer. The Company tests for compliance with the stock ownership expectation at the end of the fiscal year.

The stock ownership expectation, calculation of shares of Common Stock counted towards the ownership expectation and valuation of shares of Common Stock for purposes of the policy are as set forth below. All covered officers are in compliance with their respective stock ownership expectations under the terms of the policy.

Stock Ownership Expectation	Shares of Common Stock Counted Towards Ownership Expectation	Valuation of Shares of Common Stock
• NEOs: At least three times annual base salary. • VP-Level Personnel (non-NEOs): At least one and one-half times annual base salary. • Other designated covered officers: In the discretion of the Compensation Committee, at least one times annual base salary.	• Shares owned directly by the officer, his or her spouse or minor children, or a trust for the exclusive benefit of one or more such persons. • Shares covered by the portion of stock options or restricted stock units that are vested or not subject to forfeiture.	• Greater of (i) the closing price on the last trading day of the applicable fiscal period or (ii) the 30-day average closing price ending on such last trading day. • Shares underlying vested stock options, restricted stock units and other stock awards are calculated as if they were exercised using the current market price on the applicable measurement date and assuming shares are immediately sold to pay the exercise price and applicable taxes.

Tax Impact on Compensation

The Compensation Committee has considered the impact of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), on the Company's executive compensation program. Code Section 162(m) denies a public company a deduction, except in limited circumstances, for compensation paid to "covered employees" – which includes the NEOs, other than the Company's principal financial officer – to the extent such compensation exceeds $1 million. Based on its review of the likely impact of Code Section 162(m) and other factors, the Compensation Committee previously recommended to the Board, the Board adopted and the Company's shareholders approved, the 2013 Plan. The 2013 Plan allows the Company's annual cash incentive bonus program for the NEOs, as well as equity and equity-based awards to the NEOs, to qualify for an exception to the Code

Section 162(m) deduction limitation. The Compensation Committee may in the future adopt or change benefit plans in order to cause the compensation paid to covered employees under the plans to qualify for the exception. In any event, the Compensation Committee may authorize payments or equity awards to retain and motivate key executives, in any situation it believes to be appropriate, without regard to tax deductibility considerations.

Legislation enacted at the end of 2017 expanded the number of individuals covered by Section 162(m) of the Code and eliminated the exception for performance-based compensation effective for fiscal 2019. Therefore, compensation in excess of $1 million paid to covered employees in fiscal 2019 and later years will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017.

Risk Analysis of Compensation Programs and Practices

While the Company's compensation programs and practices are designed to motivate its employees and encourage performance that improves the Company's financial and other operating results, the Company and the Compensation Committee also seek to design and implement compensation programs and practices that discourage employees from taking unnecessary or excessive risks that could ultimately threaten the value of the Company or otherwise have a material adverse effect on the Company. Management and the Compensation Committee periodically review and assess potential risks associated with the Company's compensation programs and practices. Management and the Compensation Committee believe that the Company's incentive compensation programs and practices are appropriately balanced between value created indirectly by the performance of the Common Stock and payments resulting from the achievement of specific financial performance objectives, so as to minimize the likelihood of unnecessary or excessive risk-taking by Company employees. Management and the Compensation Committee have concluded that any risks from such programs and practices are not reasonably likely to have a material adverse effect on the Company. The Compensation Committee reached its conclusion after considering a number of features of the Company's compensation structure that are designed to mitigate risk, such as:

- The Company uses a balance of fixed and variable compensation in the form of cash and equity, which is designed to provide both near-term and long-term focus.

- The overall compensation of the Company's NEOs is not overly weighted towards the achievement of performance criteria in a particular fiscal year, and an appropriate portion of compensation is awarded in the form of equity awards that vest over a multi-year period, subject to continued service by the recipient. This further aligns the interests of the NEOs to long-term shareholder value and helps retain management.

- Payouts under the Company's annual incentive compensation and other long-term incentive programs are based on performance criteria that the Compensation Committee believes to be challenging, yet reasonable and attainable without excessive risk-taking.

- The Company caps payouts from its annual incentive plan.

- The Company has a compensation recoupment policy that allows the Company to recover certain compensation in the event of a restatement of its financial statements due to the material noncompliance of the Company with any financial reporting requirement under the federal securities laws or in the event of certain fraud or other misconduct by an employee.

- The Company has a stock ownership policy under which its NEOs and other key personnel are expected to own a significant amount of Common Stock, further aligning their interests with those of the Company's other shareholders.

- The Compensation Committee maintains an open dialogue with management regarding executive compensation programs and practices and the appropriate incentives to use in achieving near-term and long-term operating performance goals.

Shareholder Say-on-Pay Vote

At the 2017 Annual Meeting of Shareholders, the Company's shareholders had the opportunity to vote, on an advisory basis, on a proposal to approve the compensation of the NEOs for fiscal 2017. This is referred to as a "say-on-pay" proposal. Approximately 96% of the votes cast at the 2017 Annual Meeting of Shareholders on the say-on-pay proposal were voted in favor of the proposal. The Compensation Committee believes this vote result reflects the general concurrence by the Company's shareholders with the Company's philosophy and approach to executive compensation. Therefore, the Company has continued its philosophy and approach to executive compensation as discussed above. At the Annual Meeting, shareholders will have the opportunity to indicate their views on the Company's NEO compensation for fiscal 2018. For additional information, see "Proposal 2: Advisory Vote to Approve Named Executive Officer Compensation." The Compensation Committee will continue to consider the vote results for say-on-pay proposals in future years when making compensation decisions for the Company's NEOs.

Executive Compensation Tables

The following tables, narratives and footnotes describe the total compensation and benefits for the NEOs for fiscal 2018, as well as the total compensation and benefits for the NEOs for the two preceding fiscal years.

Summary Compensation Table

Name	Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)[1]	Option Awards ($)[1]	Non-Equity Incentive Plan Compensation ($)[2]	All Other Compensation ($)[3]	Total ($)
Kevin D. Hall	Chairman of the Board and Chief Executive Officer	2018	775,000	—	—	—	387,500	84,539	1,247,039
		2017	77,500	—	2,058,000	230,741	—	14,750	2,380,991
Jeffrey C. Ackerman[4]	Executive Vice President & Chief Financial Officer	2018	387,692	—	624,600	154,543	144,493	33,156	1,344,484
Thomas H. Caudle, Jr.	President & Chief Operating Officer	2018	770,000	—	—	—	327,250	164,000	1,261,250
		2017	836,884	—	2,090,250	206,026	638,138	94,718	3,866,016
		2016	370,785	108,449	—	152,036	274,312	58,543	964,125
Richard E. Gerstein[5]	Executive Vice President, Global Branded Premium Value-Added Products & Chief Marketing Officer	2018	350,062	—	619,100	154,107	137,556	49,442	1,310,267
John D. Vegas[6]	Executive Vice President & Global Chief Human Resources Officer	2018	338,462	—	604,500	150,420	101,260	56,132	1,250,774
Christopher A. Smosna[7]	Vice President & Treasurer (Former Interim Chief Financial Officer)	2018	223,807	10,000	19,300	19,323	45,423	23,584	341,437
		2017	210,000	—	—	51,506	71,925	22,294	355,725
		2016	191,571	—	—	101,357	67,795	21,073	381,796

(1) Amounts reflect the grant date fair value computed in accordance with FASB ASC Topic 718, related to stock and option awards granted in the fiscal year noted. See Note 16 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2018 for more information about the value of equity awards.

(2) Amounts are attributable to cash payments earned under the annual incentive plan for the applicable fiscal year, as described above under "Compensation Discussion and Analysis" with respect to the fiscal years noted.

(3) All Other Compensation for each of the NEOs for fiscal 2018 consists of the following:

	Kevin D. Hall	Jeffrey C. Ackerman	Thomas H. Caudle, Jr.	Richard E. Gerstein	John D. Vegas	Christopher A. Smosna
Life Insurance ($)	14,176	5,548	86,950	3,062	1,884	303
Matching 401(k) Plan Contribution ($)	15,569	14,254	11,300	14,002	8,921	11,142
Contributions to SERP ($)	39,525	12,554	65,450	12,423	11,769	11,839
Holiday Gift ($)[a]	300	300	300	300	300	300
Health Savings Account Contribution ($)	—	500	—	—	—	—
Relocation Assistance Benefits ($)	10,600	—	—	14,771	27,265	—
Tax Gross-Up on Relocation Assistance Benefits ($)	4,369	—	—	4,884	5,993	—
Total ($)	84,539	33,156	164,000	49,442	56,132	23,584

(a) In December 2017, each NEO was awarded a nominal gift in connection with the holiday season.

(4) Mr. Ackerman was appointed Executive Vice President & Chief Financial Officer effective September 5, 2017.

(5) Mr. Gerstein was appointed Executive Vice President, Global Branded Premium Value-Added Products & Chief Marketing Officer effective August 14, 2017.

(6) Mr. Vegas was appointed Executive Vice President & Global Chief Human Resources Officer effective August 21, 2017.

(7) Mr. Smosna served as Interim Chief Financial Officer from June 26, 2017 until Mr. Ackerman's appointment as Executive Vice President & Chief Financial Officer effective September 5, 2017. Mr. Smosna received a $10,000 bonus in recognition of his service as Interim Chief Financial Officer.

Grants of Plan-Based Awards

Name	Grant Type	Grant Date	Date of Committee Action (If Different from Grant Date)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards ($ / Share)	Grant Date Fair Value of Stock and Option Awards ($)(4)
Kevin D. Hall	Annual Cash Incentive			387,500	775,000	1,550,000				
Jeffrey C. Ackerman	Annual Cash Incentive			144,493	288,986	577,973				
	Stock Options	9/5/2017	8/30/2017					15,000	31.23	154,543
	Restricted Stock Units	9/5/2017	8/30/2017				20,000			624,600
Thomas H. Caudle, Jr.	Annual Cash Incentive			327,250	654,500	1,309,000				
Richard E. Gerstein	Annual Cash Incentive			103,562	172,602	345,205				
	Stock Options	8/14/2017						15,000	30.96	154,107
	Restricted Stock Units	8/14/2017					20,000			619,100
John D. Vegas	Annual Cash Incentive			101,260	168,767	337,534				
	Stock Options	8/21/2017						15,000	30.23	150,420
	Restricted Stock Units	8/21/2017					20,000			604,500
Christopher A. Smosna	Annual Cash Incentive			45,423	79,490	113,558				
	Stock Options	3/1/2018	1/23/2018					1,538	35.09	19,323
	Restricted Stock Units	3/1/2018	1/23/2018				550			19,300

(1) Represents the threshold, target and maximum payments the NEOs were eligible to earn pursuant to the Company's fiscal 2018 annual cash incentive plan. The 2018 annual incentive plan, including the threshold, target and maximum payout amounts for each of the NEOs, the performance metrics, weightings and target performance levels and the Company's performance for fiscal 2018 are described under "Compensation Discussion and Analysis—Detailed Review of Compensation Components—Annual Incentive Compensation" beginning on page 31. The annual incentive awards earned by the NEOs for fiscal 2018 are reported in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table. The annual incentive amounts reflected for each of Messrs. Ackerman, Gerstein and Vegas are prorated to reflect less than a full year of service in fiscal 2018.

(2) Represents restricted stock units granted to Messrs. Ackerman, Gerstein and Vegas in connection with their recruitment by the Company and an annual equity incentive grant to Mr. Smosna. The restricted stock units become vested 25% 30 days after the first anniversary of the grant date, 25% on the second anniversary of the grant date and 50% on the third anniversary of the grant date.

(3) Represents stock options granted to the NEOs pursuant to the 2013 Plan during fiscal 2018. The stock options become vested in one-third increments on the first, second and third anniversaries of the grant date.

(4) The amounts in this column do not represent amounts the NEOs received or are entitled to receive. As required by the SEC rules, this column represents the full grant date fair value of the stock options granted to the NEOs during fiscal 2018. The full grant date fair value is the amount that the Company will recognize in its consolidated financial statements over the award's vesting schedule, subject to any forfeitures. The grant date fair value was determined under FASB ASC Topic 718. See Note 16 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2018.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Kevin D. Hall	8,334	16,666	27.44	5/19/2027(1)	—	—
	—	—	—	—	56,250(2)	1,773,000
Jeffrey C. Ackerman	—	15,000	31.23	9/5/2027(3)	—	—
	—	—	—	—	20,000(4)	630,400
Thomas H. Caudle, Jr.	36,666	—	5.73	7/28/2019	—	—
	6,000	—	12.47	7/27/2021	—	—
	3,000	—	11.23	7/25/2022	—	—
	6,000	—	22.08	7/24/2023	—	—
	11,000	—	27.38	7/22/2024	—	—
	5,000	2,500	32.36	7/22/2025(5)	—	—
	6,667	13,333	29.09	10/26/2026(6)	—	—
	—	—	—	—	56,250(7)	1,773,000
Richard E. Gerstein	—	15,000	30.96	8/14/2027(8)	—	—
	—	—	—	—	20,000(9)	630,400
John D. Vegas	—	15,000	30.23	8/21/2027(10)	—	—
	—	—	—	—	20,000(11)	630,400
Christopher A. Smosna	5,000	—	11.09	7/27/2022	—	—
	5,000	—	22.08	7/24/2023	—	—
	5,000	—	27.38	7/22/2024	—	—
	3,334	1,666	32.36	7/22/2025(12)	—	—
	1,667	3,333	29.09	10/26/2026(13)	—	—
	—	1,538	35.09	3/1/2028(14)	—	—
	—	—	—	—	550(15)	17,336

(1) Represents stock options granted on May 19, 2017, with one-third vested on May 19, 2018, one-third scheduled to vest on May 19, 2019 and one-third scheduled to vest on May 19, 2020, contingent upon Mr. Hall's continued service through the applicable vesting date.

(2) Represents the unvested portion of 75,000 restricted stock units granted on May 19, 2017, with 25% vested on June 18, 2018, 25% scheduled to vest on May 19, 2019 and 50% scheduled to vest on May 19, 2020, contingent upon Mr. Hall's continued service through the applicable vesting date.

(3) Represents stock options granted on September 5, 2017, scheduled to vest in one-third increments on each of September 5, 2018, September 5, 2019 and September 5, 2020, contingent upon Mr. Ackerman's continued service through the applicable vesting date.

(4) Represents restricted stock units granted on September 5, 2017, scheduled to vest 25% on October 5, 2018, 25% on September 5, 2019 and 50% on September 5, 2020, contingent upon Mr. Ackerman's continued service through the applicable vesting date.

(5) Represents stock options granted on July 22, 2015, with one-third vested on July 22, 2016, one-third vested on July 22, 2017 and one-third scheduled to vest on July 22, 2018, contingent upon Mr. Caudle's continued service through the applicable vesting date.

(6) Represents stock options granted on October 26, 2016, with one-third vested on October 26, 2017, one-third scheduled to vest on October 26, 2018 and one-third scheduled to vest on October 26, 2019, contingent upon Mr. Caudle's continued service through the applicable vesting date.

(7) Represents the unvested portion of 75,000 restricted stock units granted on February 21, 2017, with 25% vested on February 21, 2018, 25% scheduled to vest on February 21, 2019 and 50% scheduled to vest on February 21, 2020, contingent upon Mr. Caudle's continued service through the applicable vesting date.

(8) Represents stock options granted on August 14, 2017, scheduled to vest in one-third increments on each of August 14, 2018, August 14, 2019 and August 14, 2020, contingent upon Mr. Gerstein's continued service through the applicable vesting date.

(9) Represents restricted stock units granted on August 14, 2017, scheduled to vest 25% on September 13, 2018, 25% on August 14, 2019 and 50% on August 14, 2020, contingent upon Mr. Gerstein's continued service through the applicable vesting date.

(10) Represents stock options granted on August 21, 2017, scheduled to vest in one-third increments on each of August 21, 2018, August 21, 2019 and August 21, 2020, contingent upon Mr. Vegas' continued service through the applicable vesting date.

(11) Represents restricted stock units granted on August 21, 2017, scheduled to vest 25% on September 20, 2018, 25% on August 21, 2019 and 50% on August 21, 2020, contingent upon Mr. Vegas' continued service through the applicable vesting date.

(12) Represents stock options granted on July 22, 2015, with one-third vested on July 22, 2016, one-third vested on July 22, 2017 and one-third scheduled to vest on July 22, 2018, contingent upon Mr. Smosna's continued service through the applicable vesting date.

(13) Represents stock options granted on October 26, 2016, with one-third vested on October 26, 2017, one-third scheduled to vest on October 26, 2018 and one-third scheduled to vest on October 26, 2019, contingent upon Mr. Smosna's continued service through the applicable vesting date.

(14) Represents stock options granted on March 1, 2018, scheduled to vest in one-third increments on each of March 1, 2019, March 1, 2020 and March 1, 2021, contingent upon Mr. Smosna's continued service through the applicable vesting date.

(15) Represents restricted stock units granted on March 1, 2018, scheduled to vest 25% on April 1, 2019, 25% on March 1, 2020 and 50% on March 1, 2021, contingent upon Mr. Smosna's continued service through the applicable vesting date.

Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)[1]	Value Realized on Vesting ($)[2]
Kevin D. Hall	—	—	18,750	607,041
Jeffrey C. Ackerman	—	—	—	—
Thomas H. Caudle, Jr.	—	—	18,750	657,563
Richard E. Gerstein	—	—	—	—
John D. Vegas	—	—	—	—
Christopher A. Smosna	—	—	—	—

(1) Shares included in this column represent the shares of Common Stock underlying restricted stock units that vested during fiscal 2018.

(2) Calculated based on the market price of the shares of Common Stock underlying the restricted stock units, which was computed as the average of the high and low trading prices on the date of vesting.

Nonqualified Deferred Compensation

The Company maintains the SERP to provide additional retirement benefits to a select group of highly compensated employees, including each of its NEOs. On an annual basis, the Company credits to the participant's account an amount equal to 8.5% for executive officers or 5.5% for non-executive officers (as was the case for Mr. Smosna due to his position in the Company as a non-NEO at the time of the credit), multiplied by the participant's base salary. Each participant is always 100% vested in the participant's SERP account and earns a return on the participant's account balance as if it had been invested in a money market fund. Participants are not entitled to a distribution from the SERP until their termination of employment with the Company, at which time they must wait six months to receive a lump-sum payment equal to the balance of their respective accounts. If a participant's termination is due to death or disability, this six-month delay period is waived.

Name	Executive Contributions in Last Fiscal Year ($)	Company Contributions in Last Fiscal Year ($)[1]	Aggregate Earnings (Loss) in Last Fiscal Year ($)	Aggregate Withdrawals and/or Distributions ($)	Aggregate Balance at Last Fiscal Year-End ($)
Kevin D. Hall	—	39,525	566	—	40,091
Jeffrey C. Ackerman	—	12,554	180	—	12,734
Thomas H. Caudle, Jr.	—	65,450	86,617	—	849,209
Richard E. Gerstein	—	12,423	178	—	12,601
John D. Vegas	—	11,769	168	—	11,937
Christopher A. Smosna	—	11,839	10,380	—	105,295

(1) Amounts represent Company contributions to the SERP on behalf of the NEOs during fiscal 2018. These amounts are reported in the "All Other Compensation" column of the Summary Compensation Table.

Potential Payments Upon Termination of Employment or Change in Control

Employment Agreements. Each of Messrs. Hall, Ackerman, Caudle, Gerstein and Vegas is party to an Employment Agreement with the Company. Messrs. Hall, Ackerman, Gerstein and Vegas entered into their Employment Agreements in connection with their recent appointment as executive officers of the Company. Mr. Caudle, who was party to a Change in Control Agreement with the Company that expired on December 31, 2017, entered into an Employment Agreement with the Company on September 5, 2018.

Each Employment Agreement contains provisions regarding the termination of each NEO's employment and related severance obligations. If the Company terminates a NEO who is party to an Employment Agreement for "Cause" or if the NEO resigns without "Good Reason" (as each term is defined in the Employment Agreement), the Company will pay the NEO all accrued and unpaid base salary and any accrued and unpaid benefits through the date of termination, after which the Company will have no further obligation under the Employment Agreement to the NEO. If the employment of a NEO who is party to an Employment Agreement terminates due to his death or "Disability" (as defined in the Employment Agreement), the NEO or his estate will receive all accrued and unpaid base salary and any accrued and unpaid benefits through the date of termination, after which all right to benefits will terminate and the Company will have no further obligation under the Employment Agreement to the NEO. If the employment of a NEO who is party to an Employment Agreement is terminated for any reason other than death, Disability or Cause, or if the NEO resigns with Good Reason, the NEO will be entitled to (i) cash severance payments equal to 12 months of the NEO's annual base salary at the time of termination, payable in equal monthly installments, and (ii) if the NEO elects COBRA continuation coverage, reimbursement for the monthly cost of such continuation coverage for medical and health insurance benefits until the earlier of (A) the date the NEO ceases to maintain such continuation coverage in effect or (B) 12 months from the termination of the NEO's employment. The foregoing severance benefits are subject to the NEO entering into and not revoking a release of claims in favor of the Company and its affiliated entities. The severance benefits payable upon termination for any reason other than death, Disability or Cause, or resignation with Good Reason also are subject to the NEO abiding by certain restrictive covenants. Additionally, upon the death or Disability of a NEO who is party to an Employment Agreement or a "Change of Control" (as defined in the 2013 Plan), all outstanding unvested equity awards issued to the NEO by the Company shall vest in full.

Outstanding Equity Awards. Upon a "Change of Control" or a "Change in Control" of the Company (as either term is defined in the Company's incentive compensation plans), all outstanding stock options and other stock awards under the plans will become fully vested and/or will be immediately exercisable.

The Company's NEOs may also become vested in restricted stock units and certain stock options that vest based on continued service with the Company, including the stock options granted to them in fiscal 2018, upon a termination of employment due to death or Disability. In addition, all of the Company's unvested restricted stock unit awards granted to NEOs provide for accelerated vesting of all unvested restricted stock units upon the Company's termination of a NEO's employment without Cause after the NEO has attained age 65.

Hypothetical Payments Table. The table below summarizes the potential severance payments and benefits payable to Messrs. Hall, Ackerman, Caudle, Gerstein and Vegas under their respective Employment Agreements and the value of the accelerated vesting of all of the NEOs' equity awards upon a "Change of Control" or a "Change in Control" of the Company (as either term is defined in the Company's incentive compensation plans) as of June 22, 2018, the last business day of fiscal 2018.

Name	Type of Payment or Benefit	Change of Control ($)	Termination Without Cause or Resignation for Good Reason ($)	Termination Without Cause After Attaining Age 65 ($)	Termination Due to Death or Disability ($)	Termination Due to Approved Retirement ($)	Termination Without Cause or Resignation for Good Reason After a Change of Control ($)(1)
Kevin D. Hall	Severance and Benefit Continuation(2)	—	796,390	—	—	—	796,390
	Accelerated Equity Awards(3)(4)	1,840,997	—	1,773,000	1,840,997	67,997	1,840,997
	Total	1,840,997	796,390	1,773,000	1,840,997	67,997	2,637,387
Jeffrey C. Ackerman	Severance and Benefit Continuation(2)	—	497,662	—	—	—	497,662
	Accelerated Equity Awards(3)(4)	634,750	—	630,400	634,750	4,350	634,750
	Total	634,750	497,662	630,400	634,750	4,350	1,132,412
Thomas H. Caudle, Jr.	Severance and Benefit Continuation(2)	—	787,758	—	—	—	787,758
	Accelerated Equity Awards(3)(4)	1,805,399	—	1,773,000	1,805,399	32,399	1,805,399
	Total	1,805,399	787,758	1,773,000	1,805,399	32,399	2,593,157
Richard E. Gerstein	Severance and Benefit Continuation(2)	—	421,390	—	—	—	421,390
	Accelerated Equity Awards(3)(4)	638,800	—	630,400	638,800	8,400	638,800
	Total	638,800	421,390	630,400	638,800	8,400	1,060,190
John D. Vegas	Severance and Benefit Continuation(2)	—	400,000	—	—	—	400,000
	Accelerated Equity Awards(3)(4)	649,825	—	630,400	649,825	19,425	649,825
	Total	649,825	400,000	630,400	649,825	19,425	1,049,825
Christopher A. Smosna	Accelerated Equity Awards(3)(4)	25,435	—	17,336	25,435	—	25,435

(1) Amounts shown assume the Company experienced a Change of Control and the NEO was terminated without Cause or resigned for Good Reason on June 22, 2018, the last business day of fiscal 2018.

(2) Consists of severance benefits and health and welfare benefits. Health and welfare benefits represent the aggregate estimated net cost to the Company for reimbursement of the cost of 12 months of COBRA continued medical coverage provided under the Employment Agreement between the Company and each of Messrs. Hall, Ackerman, Caudle, Gerstein and Vegas. The amount of severance benefits and health and welfare benefits presented for Mr. Caudle assumes the Employment Agreement he entered into with the Company on September 5, 2018 had been in effect at the end of fiscal 2018.

(3) As described above, all outstanding and unvested stock options and restricted stock units will become vested upon a Change of Control of the Company. In addition, upon a NEO's termination of employment due to approved retirement, the unvested stock options that vest solely based on the NEO's continued service ("time-based options") are subject to accelerated vesting; upon a NEO's termination of employment due to death or Disability, all unvested time-based options and all unvested restricted stock units are subject to accelerated vesting; and upon a NEO's termination of employment without "Cause" (as defined in the applicable award agreements) after specified dates, all unvested restricted stock units are subject to accelerated vesting.

(4) For purposes of this table, it is assumed that: (i) all vested stock options are exercised on June 22, 2018, the last business day of fiscal 2018, and the aggregate value of such vested stock options is calculated by multiplying the number of stock options by the difference between the exercise price and the closing market price; and (ii) as of the date of termination or Change of Control, as applicable, each vested restricted stock unit is converted into one share of Common Stock and the aggregate value of such vested restricted stock units is calculated by multiplying the number of restricted stock units by the closing market price on June 22, 2018, the last business day of fiscal 2018.

Pay Ratio Disclosure

Beginning with the Annual Meeting, the SEC rules require the Company to disclose annually (i) the median annual total compensation of all employees of the Company (excluding Kevin D. Hall, the Company's principal executive officer); (ii) the annual total compensation of Mr. Hall; and (iii) the ratio of Mr. Hall's annual total compensation to the median annual total compensation of all employees (excluding Mr. Hall).

Based on the methodology and material assumptions described below, the Company has estimated these amounts to be as follows:

Median annual total compensation of all employees (excluding Mr. Hall)	$30,117
Annual total compensation of Mr. Hall	$1,247,039
Ratio of Mr. Hall's annual total compensation to median annual total compensation of all employees (excluding Mr. Hall)	41:1

To determine the median employee, the Company compiled a list of all employees (excluding Mr. Hall) as of March 31, 2018, sorted the list of employees by their gross cash compensation for the period from July 1, 2017 through June 30, 2018 and selected the employee with the median gross cash compensation amount. The Company annualized the gross cash compensation of any employee who was not employed for the entire period from July 1, 2017 through June 30, 2018. The gross cash compensation amounts did not include the value of Company-provided benefits such as retirement and medical and life insurance benefits. As of March 31, 2018, the Company employed 2,796 persons, of which 584 employees were employed outside the United States. The compensation of employees in foreign countries was converted to an equivalent U.S. dollar amount using foreign exchange rates averaged over the 12-month period ended December 31, 2017.

The annual total compensation of Mr. Hall is the total amount of his compensation presented in the Summary Compensation Table beginning on page 39. The Company calculated the annual total compensation of the median employee using the same rules applicable to the completion of the Summary Compensation Table for Mr. Hall and the NEOs.

Equity Compensation Plan Information

The table below provides information as of June 24, 2018, with respect to the securities authorized for issuance to the Company's employees, officers and directors under the 2013 Plan. The 2013 Plan, which was approved by the Company's shareholders at the 2013 Annual Meeting of Shareholders, replaced the 2008 Unifi, Inc. Long-Term Incentive Plan (the "2008 LTIP") for purposes of all incentive awards issued to the Company's employees, officers and directors after October 22, 2013. As a result, no further awards were made after that date or will be made under the 2008 LTIP. Any option or restricted stock unit previously granted under the 2008 LTIP that is forfeited or cancelled may be reissued under the terms of the 2013 Plan and is included in the number of securities remaining available for future issuance reflected in column (c) in the table below.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (#) (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights ($) (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (#) (c)
Equity compensation plans approved by security holders	751,090[1]	23.73[1]	513,733[2]
Equity compensation plans not approved by security holders	—	—	—
Total	751,090[1]	23.73[1]	513,733[2]

(1) Includes securities issuable upon exercise of outstanding options and upon lapse of service-based vesting restrictions under restricted stock units that were issued pursuant to the 2013 Plan or the 2008 LTIP. As of June 24, 2018, (i) an aggregate of approximately 404,712 options remained outstanding; and (ii) an aggregate of approximately 346,378 restricted stock units remained outstanding. The weighted-average exercise price does not take into account restricted stock units, which do not have an exercise price.

(2) The 2013 Plan will terminate at the close of business on October 24, 2018 and no further awards may be made after such termination. The Board approved an amendment and restatement of the 2013 Plan effective October 24, 2018, subject to shareholder approval at the Annual Meeting. If approved, 1,250,000 shares will be available for future issuance under the amended and restated 2013 Plan.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires UNIFI's executive officers and directors and persons who beneficially own more than 10% of the outstanding Common Stock (collectively, the "reporting persons") to file with the SEC initial reports of their beneficial ownership of Common Stock and reports of changes in their beneficial ownership of Common Stock. Based solely on a review of such reports and written representations made by UNIFI's executive officers and directors with respect to the completeness and timeliness of their filings, the Company believes that the reporting persons complied with all applicable Section 16(a) filing requirements on a timely basis during fiscal 2018, except for (i) Mr. Bishop, a director, who failed to timely report on Form 4 three separate purchases of shares of Common Stock, which were reported by Mr. Bishop on a Form 5 filed with the SEC on July 12, 2018; and (ii) Mr. Gerstein, an executive officer, who filed a late Form 4 to report a grant of restricted stock units and a grant of stock options.

Compensation Committee Interlocks and Insider Participation

Archibald Cox, Jr., James M. Kilts and Kenneth G. Langone served on the Compensation Committee in fiscal 2018. None of the directors who served on the Compensation Committee in fiscal 2018 has ever served as one of the Company's officers or employees or had any relationship with the Company or any of its subsidiaries since the beginning of fiscal 2018 pursuant to which disclosure would be required under the SEC rules pertaining to the disclosure of transactions with related persons. During fiscal 2018, none of the Company's executive officers served as a director or a member of the compensation committee (or other committee performing equivalent functions) of any other entity of which an executive officer of such other entity served on the Board or its Compensation Committee.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management and, based on such review and discussions, recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and in the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2018.

Respectfully submitted by the Compensation Committee of the Board,

Archibald Cox, Jr., Chair
James M. Kilts
Kenneth G. Langone

Audit Committee Report

The primary purpose of the Audit Committee is to act on behalf of the Board in its oversight of all material aspects of the accounting and financial reporting processes, internal controls and internal audit functions of the Company, including its compliance with Section 404 of the Sarbanes-Oxley Act of 2002. Management has primary responsibility for the Company's consolidated financial statements and reporting processes, including its internal controls and disclosure controls and procedures. The Company's independent registered public accounting firm, KPMG LLP, is responsible for performing an independent audit of the consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and expressing an opinion on the conformity of those audited consolidated financial statements with generally accepted accounting principles.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2018. This review included a discussion of the quality and acceptability of the Company's financial reporting and internal controls. During the past fiscal year, the Audit Committee discussed with the Company's independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 1301, "Communications with Audit Committees," as adopted by the Public Company Accounting Oversight Board. The Audit Committee also received during the past fiscal year the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm its independence.

Based on the reviews, discussions and disclosures referred to above, the Audit Committee recommended to the Board that the audited consolidated financial statements of the Company for the fiscal year ended June 24, 2018 be included in its Annual Report on Form 10-K for such fiscal year.

Respectfully submitted by the Audit Committee of the Board,

Suzanne M. Present, Chair
Robert J. Bishop
Paul R. Charron

Proposal 2:
Advisory Vote to Approve
Named Executive Officer Compensation

As required by Section 14A of the Exchange Act, this proposal, commonly known as a “say-on-pay” proposal, gives the Company’s shareholders the opportunity to vote to approve or not approve, on an advisory basis, the compensation of the Company’s NEOs, which is described in the “Compensation Discussion and Analysis” and “Executive Compensation Tables” sections of this Proxy Statement. This vote is not intended to address any specific item or element of compensation or the compensation of any particular officer, but rather the overall compensation of the Company’s NEOs and the philosophy, principles and policies used to determine compensation.

At the 2017 Annual Meeting of Shareholders, the Company provided shareholders with an opportunity to cast an advisory vote to approve or not approve the compensation of its NEOs, and shareholders approved the Company’s NEO compensation with approximately 96% of the votes cast in favor. At the 2017 Annual Meeting of Shareholders, the Company also asked shareholders to indicate whether a say-on-pay vote should occur every one, two or three years, with the Board recommending an annual advisory vote. Because the Board views it as a good corporate governance practice, and because at the 2017 Annual Meeting of Shareholders a majority of the votes cast were in favor of an annual advisory vote, shareholders will have the opportunity at the Annual Meeting to provide feedback to the Compensation Committee on the Company’s executive compensation program by endorsing or not endorsing the compensation of its NEOs.

As described in detail in the “Compensation Discussion and Analysis” section of this Proxy Statement, the Company’s executive compensation program is designed not only to attract and retain talented and experienced executives, but also to motivate them to contribute substantially to the Company’s future success for the long-term benefit of shareholders and to reward them for doing so. Accordingly, the Compensation Committee and the Board believe that there should be a strong relationship between pay and corporate performance (both financial results and stock price), and that the Company’s executive compensation program reflects this belief.

Shareholders are urged to read the “Compensation Discussion and Analysis” and “Executive Compensation Tables” sections of this Proxy Statement, which more thoroughly discuss the Company’s compensation principles and policies. The Compensation Committee and the Board believe that these principles and policies are effective in implementing the Company’s overall compensation philosophy.

Accordingly, the Company is asking shareholders to vote, on an advisory basis, **“FOR”** the following resolution at the Annual Meeting:

> RESOLVED, that the compensation paid to the Company’s NEOs, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables and the related narrative discussion, is hereby approved.

This vote is advisory, which means that the shareholder vote on this proposal will not be binding on UNIFI, the Compensation Committee or the Board of Directors. However, the Compensation Committee values the opinions of the Company’s shareholders and will carefully consider the outcome of the vote when making future compensation decisions for UNIFI’s NEOs.

The Board of Directors unanimously recommends that you vote “FOR” the approval, on an advisory basis, of the compensation of the Company’s NEOs in fiscal 2018 as disclosed in this Proxy Statement.

Unless a proxy card (or voting instruction properly submitted by telephone or via the Internet) is marked to give a different direction, the persons named as attorneys-in-fact in the proxy card will vote **“FOR”** the approval, on an advisory basis, of the compensation of the Company’s NEOs in fiscal 2018 as disclosed in this Proxy Statement.

Proposal 3:
Approval of the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan

The Board of Directors proposes that shareholders approve the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan (the "Amended 2013 Plan"). The Board has approved the Amended 2013 Plan, subject to shareholder approval. The principal features of the Amended 2013 Plan are summarized below. This summary is not intended to be a complete description of the Amended 2013 Plan and is qualified in its entirety by reference to the full text of the Amended 2013 Plan, which is attached to this Proxy Statement as Appendix B.

Introduction

The Company currently maintains the 2013 Plan under which the Company may award stock options, stock appreciation rights, restricted stock, restricted stock units and performance shares to the Company's key employees, officers and directors. The 2013 Plan was originally approved by the Company's shareholders on October 23, 2013. The 2013 Plan will terminate at the close of business on October 24, 2018, and no awards may be granted under the 2013 Plan after its termination. Outstanding awards previously granted under the 2013 Plan will continue in effect in accordance with the terms and conditions of the 2013 Plan and the agreements pursuant to which the awards were made.

The Board believes that stock-based compensation is essential to align the interests of the Company's management and its shareholders in enhancing the long-term value of the Company's equity and to encourage executives to continue their employment with the Company. Accordingly, the Board proposes that shareholders approve the Amended 2013 Plan to permit the grant of stock-based compensation after the termination of the 2013 Plan.

Overview of Features and Objectives

The Amended 2013 Plan is designed to support the overall compensation philosophy and objectives of the Company's executive compensation program to:

- attract and retain persons eligible to participate in the Amended 2013 Plan;
- motivate participants in the Amended 2013 Plan by means of appropriate equity-based incentives to achieve performance goals;
- provide incentive compensation opportunities that are competitive with those of other similar companies; and
- provide the Company the ability to further align the interests of participants in the Amended 2013 Plan with the interests of the Company's shareholders through compensation that is based on performance criteria that target enhancement of the value of the Company.

In doing so, the Amended 2013 Plan will promote the long-term financial interest of the Company, including the growth in value of the Company's equity and enhancement of long-term shareholder return. The Amended 2013 Plan is also intended to allow for grants of stock incentives to compensate our independent directors.

The Board has reserved 1,250,000 shares of Common Stock for issuance under the Amended 2013 Plan. The Board anticipates the shares reserved for issuance under the Amended 2013 Plan will support the Company's compensation policy of making annual awards of stock-based compensation through approximately the end of fiscal 2023. The Common Stock is traded on the New York Stock Exchange (the "NYSE") under the symbol "UFI." On September 4, 2018, the closing price per share was $31.36.

Eligibility and Administration

All present and future employees and other service providers of the Company and its related companies are eligible to receive awards under the Amended 2013 Plan. An employee or other service provider who receives an award becomes a participant in the Amended 2013 Plan. Also, all present and future independent directors of the Company are eligible to receive director awards under the Amended 2013 Plan. The Company currently has approximately 2,900 employees (five of whom are executive officers) and nine independent directors who may be eligible for awards under the Amended 2013 Plan.

Unless otherwise determined by the Board, the Compensation Committee (which is referred to in this Proposal as the "Committee") will administer the Amended 2013 Plan with respect to awards for employees and other service providers. The Committee has the power and complete discretion to select employees and service providers to receive awards and to determine for each employee or service provider the nature of the award and the terms and conditions of each award. The Board has these same powers and responsibilities with respect to awards for independent directors, and reference to the Committee herein with respect to awards for independent directors shall mean the Board.

The Amended 2013 Plan is intended to comply with the provisions of Rule 16b-3 of the Exchange Act. Awards under the Amended 2013 Plan that constitute nonqualified deferred compensation are intended to meet the requirements of Code Section 409A, as discussed below under "Federal Income Tax Consequences."

Types of Awards that may be Granted

The Amended 2013 Plan authorizes a variety of equity-based awards to provide flexibility in our compensation program.

Employees and other service providers may receive the following types of awards under the Amended 2013 Plan: performance shares, shares of restricted stock, restricted stock units, performance share units, incentive stock options, nonstatutory stock options and stock appreciation rights.

Independent directors may receive the following types of awards under the Amended 2013 Plan: shares of restricted stock, restricted stock units, performance share units, vested shares, vested share units, nonstatutory stock options and stock appreciation rights.

A description of each of these types of awards is provided below.

Amount of Stock Available

The Board has reserved 1,250,000 shares of Common Stock for issuance under the Amended 2013 Plan. Any shares of Common Stock covered by an award that are not delivered to a participant or beneficiary because the award is forfeited or cancelled, or the shares are not delivered because the award is settled in cash, will not be deemed to have been delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under the Amended 2013 Plan.

The number of shares that may be issued under the Amended 2013 Plan will be proportionately adjusted in the event of a recapitalization event such as a stock dividend, stock split or other similar event affecting Common Stock. The Amended 2013 Plan prohibits option repricing without shareholder approval, except in connection with a recapitalization event.

In addition, any shares of Common Stock delivered under the Amended 2013 Plan in settlement, assumption or substitution of outstanding awards (or obligations to grant future awards) under the plans or arrangements of another entity will not reduce the maximum number of shares available for delivery under the Amended 2013 Plan, to the extent that such settlement, assumption or substitution is a result of the Company acquiring another entity (or an interest in another entity).

Performance Shares

Performance shares are shares of Common Stock that will be issued if performance goals established by the Committee are attained. The performance goals established by the Committee will be based on the achievement of performance criteria selected by the Committee which may include the market value of the Common Stock, financial performance such as net income, earnings per share, revenues, operating costs and efficiencies, net cash flow and EBITDA.

A performance share award is paid only upon determination by the Committee that the performance goals with respect to the award have been met. All or a portion of performance share awards may be settled in cash instead of shares of Common Stock. The value of any portion of a performance share award that is settled in cash will be determined based on the fair market value as of the date of payment of the shares of Common Stock otherwise payable under the award.

The Committee may permit recipients of performance share awards to defer payment of their awards, subject to such terms established by the Committee and compliance with applicable law.

Restricted Stock and Vested Share Awards

Restricted stock awards are shares of Common Stock that are issued subject to service-based and/or performance-based restrictions on transferability. The Committee determines the restrictions as well as the conditions under which the restrictions may lapse. Restricted stock awards that vest based on achievement of performance goals or other performance conditions, generally may not vest less than one year from the date of grant. Restricted stock awards that vest based on factors other than the achievement of performance goals or other performance conditions, such as continued service to the Company or its related companies, generally may not have a vesting period that is less than three years from the date of grant. However, the Committee may, in its discretion, provide for accelerated removal of the restrictions upon certain events as the participant's "Disability," death or "Retirement," or the occurrence of a "Change of Control" (as each term is defined in the Amended 2013 Plan) of the Company.

Holders of restricted stock have all the rights of shareholders during the restricted period, including the right to vote the shares and receive dividends thereon. However, dividends and other distributions paid with respect to the shares subject to a restricted stock award may be paid to the holder only to the extent the restrictions on the shares of restricted stock have lapsed or been removed, and any dividends and other distributions paid with respect to shares that do not become vested will be forfeited.

Independent directors may receive vested share awards. Vested shares are shares of Common Stock that are issued without any restrictions on transferability, other than restrictions necessary to comply with applicable securities laws.

Restricted Stock Units, Performance Share Units and Vested Share Units

Restricted stock units and performance share units are rights to receive shares of Common Stock (or cash in lieu of the shares) subject to service and/or performance-based vesting conditions. Restricted stock units and performance share units are similar to restricted stock, except that shares of Common Stock are not issued (or cash in lieu of the shares is not paid) until on or after the time when the vesting conditions are satisfied, as determined by the Committee. Restricted stock units and performance share units may be settled in cash or in shares of Common Stock or in a combination of both, or the Committee may reserve the right to determine the method of settlement at the time the award is settled.

Restricted stock unit or performance share unit awards that vest based on achievement of performance goals or other performance conditions, generally may not vest less than one year from the date of grant. Restricted stock unit or performance share unit awards that vest based on factors other than the achievement of performance goals or other performance conditions, such as continued service to the Company or its related companies, generally may not have a vesting period that is less than three years from the date of grant. However, the Committee may, in its discretion, provide for accelerated removal of the restrictions upon certain events such as the participant's Disability, death or Retirement, or the occurrence of a Change of Control of the Company.

The Committee may, in its discretion, provide that a recipient of a restricted stock unit or performance share unit award will receive dividend equivalents on outstanding units. However, dividend equivalents paid with respect to the units subject to a restricted stock unit or performance share unit award may be paid to the holder only to the extent the units are earned and become vested, and any dividend equivalents paid with respect to units that are not earned or do not become vested will be forfeited.

Independent directors may receive vested share unit awards. Vested share units represent the vested right to receive shares of Common Stock at the time specified in the grant agreement for the vested share units. The holder of vested share units is entitled to receive dividend equivalents on the outstanding vested share units.

Stock Options and Stock Appreciation Rights

The Amended 2013 Plan authorizes grants of incentive stock options or nonstatutory stock options. Incentive stock options are designed to qualify for favorable tax treatment under Code Section 422, while nonstatutory stock options are not. The exercise price of either type of option may not be less than 100% of the fair market value per share of Common Stock covered by the option on the date the option is granted. Fair market value is the mean between the lowest and highest reported sales prices per share of Common Stock, as reported by the NYSE, on the date on which the value of Common Stock must be determined (or if the date is not a trading day, on the most recent prior trading day).

Options may be exercised at the times specified by the Committee. The maximum term of any option is 10 years from the date of grant. Incentive stock options may not be exercised after the first to occur of (i) 10 years from the date of grant, (ii) three months from the participant's termination of employment for reasons other than death or Disability or (iii) one year from the participant's termination of employment due to death or Disability.

The value of incentive stock options, based on the exercise price, that can be exercisable for the first time in any calendar year under the Amended 2013 Plan (or any other similar plan the Company may maintain) is limited to $100,000 for each participant. A participant may pay the purchase price of an option in cash or, if the participant's award agreement and applicable law so permit, by having the Company withhold shares sufficient to pay the exercise price, by delivering shares owned by the participant or by exercising in a broker-assisted transaction.

Absent specific written authorization by the Committee, options may not be repriced except in connection with a recapitalization event, and otherwise generally may not be materially modified after the date of grant or extended or renewed beyond their original terms. The Committee may suspend the right to exercise an option any time it determines that the issuance of Common Stock would violate any securities or other laws and may provide that the exercise period is tolled during any period of suspension.

Stock appreciation rights are similar to nonstatutory stock options except that, rather than the participant paying an exercise price to exercise the stock appreciation rights, the excess of the fair market value of Common Stock covered by the stock appreciation right on the date of settlement over the fair market value of Common Stock on the date of grant is distributed to the participant. Stock appreciation rights may be settled in cash or in shares of Common Stock or in a combination of both, or the Committee may reserve the right to determine the method of settlement at the time the rights are settled.

Stock appreciation rights may be granted in tandem with nonstatutory stock options. When the participant exercises either the option or the stock appreciation right, the other part of the tandem award is cancelled without payment.

Transferability of Awards

Participants' interests in awards of performance shares, restricted stock units and performance share units are not transferable prior to payment, settlement or exercise of the awards, as the case may be. Restricted stock is not transferable until the restrictions have lapsed or been removed. Nonstatutory stock options and stock appreciation rights are transferable only to the extent provided by the Committee in the award agreement and permitted by applicable securities laws. Incentive stock options are not transferable except by will or the laws of descent and distribution. Vested share awards and vested share units are freely transferable, subject to restrictions necessary to comply with applicable securities laws.

Amendment of the Plan and Awards

The Board may amend the Amended 2013 Plan from time to time as it deems advisable and may terminate the Amended 2013 Plan at any time. However, any amendment to increase the total number of shares of Common Stock reserved for issuance under the Amended 2013 Plan, to modify materially the requirements for eligibility for participation in the Amended 2013 Plan or that otherwise constitutes a material change to the Amended 2013 Plan under applicable tax or securities laws or the listing standards of the NYSE, requires shareholder approval.

The Board must obtain the consent of a participant to an amendment that adversely affects a participant's rights under an outstanding award. However, the Board may unilaterally amend the Amended 2013 Plan and awards with respect to participants to ensure compliance with applicable laws and regulations.

The Committee may require in any award agreement that any participant reimburse the Company for all or any portion of any award; terminate any outstanding, unexercised, unexpired or unpaid award; rescind any exercise, payment or delivery pursuant to an award; or recapture any Common Stock (whether restricted or unrestricted) or proceeds from the participant's sale of Common Stock issued pursuant to an award to the extent required by the Company's Compensation Recoupment Policy or other similar policies adopted by the Committee or to comply with the requirements of any applicable laws.

Federal Income Tax Consequences

Generally, a participant in the Amended 2013 Plan will not incur federal income tax when he or she initially receives a performance share, restricted stock unit, performance share unit, incentive stock option, nonstatutory stock option or stock appreciation right. A participant generally will not incur federal income tax when he or she is awarded a share of restricted stock unless the participant makes a valid election under Code Section 83(b) with respect to the award.

If a participant makes a valid election under Code Section 83(b) with respect to an award of restricted stock, the participant generally will recognize ordinary income equal to the fair market value of the stock subject to the award on the date of grant. The amount included in income will become the participant's basis in the shares. If the participant is an employee, this income is subject to applicable tax withholding. The participant generally will not recognize any additional income at the time or times the restrictions lapse. Any profit or loss realized on the later sale or exchange of the stock relative to the participant's basis in the shares will be treated as a capital gain or a capital loss.

If a participant does not make a valid election under Code Section 83(b) with respect to an award of restricted stock, the participant generally will recognize compensation income equal to the fair market value of the stock subject to the award at the time or times the restrictions lapse. The amount included in income will become the participant's basis in the shares. If the participant is an employee, this income is subject to applicable tax withholding. Any profit or loss realized on the later sale or exchange of the stock relative to the participant's basis in the shares will be treated as a capital gain or a capital loss.

A participant who is awarded one or more restricted stock units and/or performance share units will not recognize income, and the Company will not be allowed a deduction, at the time the award is made. When the participant receives payment for such awards in cash or shares of Common Stock, the amount of the cash and the fair market value of the shares of Common Stock received will be ordinary income to the participant and will be allowed as a deduction for federal income tax purposes to the Company. The Company will be entitled to a deduction equal in amount to the ordinary income realized by the participant in the year paid.

Upon exercise of a nonstatutory stock option, a participant generally will recognize ordinary income equal to the difference between the fair market value of the stock acquired on the date of the exercise and the exercise price. Generally, the amounts will be included in the participant's gross income in the taxable year in which exercise occurs. The purchase price paid by the participant plus the amount included in income will become the participant's basis in the shares. If the participant is an employee, this income is subject to applicable tax withholding. Any profit or loss realized on the later sale or exchange of the stock relative to the participant's basis in the shares will be treated as a capital gain or a capital loss.

Upon exercise of an incentive stock option, a participant generally will not recognize income subject to tax, unless the participant is subject to the alternative minimum tax. The purchase price paid by the participant will become the participant's basis in the shares. If the participant holds the stock purchased upon exercise of an incentive stock option until the later of two years after the option was awarded to the participant or one year after the stock was issued to the participant, then any profit or loss realized on the later sale or exchange of the stock relative to the participant's basis in the shares will be treated as a capital gain or a capital loss. If the participant sells or exchanges the stock prior to expiration of the holding period, the participant generally will recognize ordinary income at the time of the sale or exchange equal to the excess of the fair market value of the shares at the time of exercise (or, if less, the amount realized upon the sale or exchange) over the exercise price. This income will become the participant's new basis in the shares. Any additional profit or loss relative to this basis will be treated as a capital gain or a capital loss.

If the grant agreement so provides, a participant may pay the exercise price of a nonstatutory stock option or an incentive stock option by delivery of shares of Common Stock. Usually when a participant delivers shares of Common Stock in satisfaction of all or any part of the exercise price, no taxable gain is recognized on any appreciation in the value of the delivered shares, unless the shares were previously acquired upon the exercise of an incentive stock option and the applicable holding period with respect to the shares has not expired. In that case, the participant will recognize ordinary income with respect to the delivered shares in accordance with the principles described above. Special rules apply to determine the basis of shares of Common Stock purchased upon the exercise of an option by the delivery of previously owned shares.

A vested share award will generally be treated as ordinary income to a participant at the time of the award. Payment under a performance share award, restricted stock unit award or performance share unit award, or upon settlement of a stock appreciation right, will also generally be treated as ordinary income to the participant at the time of payment or settlement of the award or right. If payment or settlement is made in shares of Common Stock, the amount includable in income will be equal to the fair market value of the shares on the date of payment. The amount included in income will become the participant's basis in the shares. If the participant is an employee, this income is subject to applicable tax withholding. Any profit or loss realized on the later sale or exchange of the stock relative to the participant's basis in the shares will be treated as a capital gain or a capital loss.

Assuming that a participant's compensation is otherwise reasonable and that the statutory limitations on compensation deductions (including the limitations under Code Sections 162(m) and 280G) do not apply, the Company will usually be entitled to a business expense deduction when (and for the amount that) a participant recognizes ordinary compensation income in connection with an award, as described above. The Company generally does not receive a deduction in connection with the exercise of an incentive stock option, unless the participant disposes of the stock purchased on exercise in violation of the holding period requirements.

The discussion above is subject to the general federal tax doctrines of constructive receipt and economic benefit and to the applicable provisions of Code Section 409A. If at any time a participant is in constructive receipt of an award or receives the economic benefit of the award, the participant may incur federal income tax liabilities with respect to the award earlier than the times (and in a character other than the characters) described above.

In addition, if at any time the Amended 2013 Plan, any award under the Amended 2013 Plan, or any arrangement required to be aggregated with the Amended 2013 Plan or any award under the Amended 2013 Plan, fails to comply with the applicable requirements of Code Section 409A, then all amounts (including earnings) deferred under the Amended 2013 Plan or the award for the taxable year (and all preceding taxable years) by any participant with respect to whom the failure relates are includible in that participant's gross income for the taxable year, to the extent the amounts are not subject to a substantial risk of forfeiture and have not previously been included in the participant's gross income. These amounts are also subject to an additional income tax equal to 20% of the amount required to be included in gross income and to interest equal to the underpayment rate (as specified by the Internal Revenue Service, plus one percentage point) imposed on the underpayments that would have occurred had the compensation been included in income for the taxable year when first deferred, or if later, when no longer subject to a substantial risk of forfeiture.

The above description of tax consequences is general in nature and does not purport to be complete. Moreover, statutory provisions are subject to change, as are their interpretations, and their application may vary in individual circumstances. In addition, the consequences under applicable state and local income tax laws may not be the same as under federal income tax laws.

Effective Date and Termination

The Amended 2013 Plan will become effective as of October 24, 2018 if it is approved by the Company's shareholders. Unless sooner terminated by the Board, the Amended 2013 Plan will terminate on the 10th anniversary of the effective date. No awards may be made under the Amended 2013 Plan after its termination.

New Plan Benefits

It is not possible at this time to determine the benefits that will be received by executive officers, by other employees or consultants or by independent directors under the Amended 2013 Plan if the Amended 2013 Plan is approved by the Company's shareholders. However, the Committee and the Board currently intend to make future awards of stock options and restricted stock units under the Amended 2013 Plan generally consistent with past practice. The awards and the benefits received under the awards will depend on future actions of the Committee or the Board, the fair market value of the Common Stock at various future dates, the extent to which performance goals set by the Committee are met and the individual performance of the particular award recipient.

Historical Grant Data

The following table summarizes awards granted during fiscal 2016, 2017 and 2018 under the 2013 Plan:

		Type of Award	
Year	**Grantee(s)**	**Stock Options**	**Restricted Stock or Restricted Stock Units**
2016	Chief Executive Officer	15,000	—
	Named Executive Officers (other than the Chief Executive Officer)	32,500	20,000
	Other Employees	35,000	—
	Independent Directors	—	27,873
	Total	82,500	47,873
2017	Chief Executive Officer	25,000	75,000
	Named Executive Officers (other than the Chief Executive Officer)	30,000	75,000
	Other Employees	98,000	—
	Independent Directors	—	30,939
	Total	153,000	180,939
2018	Chief Executive Officer	—	—
	Named Executive Officers (other than the Chief Executive Officer)	46,538	60,550
	Other Employees	26,153	25,570
	Independent Directors	—	30,653
	Total	72,691	116,773

Historical Burn Rate and Potential Dilution

Over the past three fiscal years, the rate at which the Company has granted equity awards relative to the diluted weighted-average shares of Common Stock outstanding (sometimes referred to as the "burn rate") has averaged less than 1.5%. The potential dilution level under the Amended 2013 Plan if it is approved by the Company's shareholders is approximately 10.7%. The potential dilution level reflects the sum of the shares of Common Stock underlying outstanding stock options and restricted stock units as of June 24, 2018 plus the shares of Common Stock that would be available for future grants under the Amended 2013 Plan if it is approved by the Company's shareholders divided by the diluted weighted-average shares of Common Stock outstanding as of June 24, 2018.

Vote Recommendation

The Board of Directors unanimously recommends that you vote "FOR" the approval of the Amended 2013 Plan.

Unless a proxy card (or voting instruction properly submitted by telephone or via the Internet) is marked to give a different direction, the persons named as attorneys-in-fact in the proxy card will vote **"FOR"** the approval of the Amended 2013 Plan.

Proposal 4:
Ratification of the Appointment of
Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors has appointed KPMG LLP to serve as UNIFI's independent registered public accounting firm for fiscal 2019. KPMG LLP has served as the Company's independent registered public accounting firm since 2011. The Audit Committee reviewed and discussed the performance of KPMG LLP for fiscal 2018 prior to its appointment of KPMG LLP to serve as UNIFI's independent registered public accounting firm for fiscal 2019.

The Company expects that representatives of KPMG LLP will be present at the Annual Meeting, and the representatives will have an opportunity to make a statement if they desire to do so. The representatives also are expected to be available to respond to appropriate questions from shareholders.

Shareholder ratification of the Audit Committee's appointment of KPMG LLP to serve as UNIFI's independent registered public accounting firm for fiscal 2019 is not required by the Company's Amended and Restated By-laws or otherwise. Nevertheless, the Board is submitting the appointment of KPMG LLP to the Company's shareholders for ratification as a matter of good corporate governance. If the Company's shareholders fail to ratify the appointment, the Audit Committee will reconsider its appointment of KPMG LLP. Even if this appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the fiscal year if the Audit Committee determines that such a change would be in the best interests of the Company and its shareholders.

The Board of Directors unanimously recommends that you vote "FOR" the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal 2019.

Unless a proxy card (or voting instruction properly submitted by telephone or via the Internet) is marked to give a different direction, the persons named as attorneys-in-fact in the proxy card will vote **"FOR"** the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for fiscal 2019.

Fees Paid to Independent Registered Public Accounting Firm

The following table presents fees for professional audit services rendered by KPMG LLP for the audit of the Company's consolidated financial statements for the fiscal years ended June 24, 2018 and June 25, 2017 and fees billed for other services rendered by KPMG LLP during those periods.

	Fiscal 2018 ($)	Fiscal 2017 ($)
Audit Fees(1)	1,261,957	1,412,022
Audit-Related Fees(2)	46,761	—
Tax Fees(3)	331,425	227,712
All Other Fees	—	—
Total	1,640,143	1,639,734

(1) Audit Fees consists of fees billed for the respective year for professional services associated with the annual financial statement audit and quarterly financial statement reviews, services related to compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and consultations in connection with statutory and regulatory filings or engagements.

(2) Audit-Related Fees consists of fees billed for fiscal 2018 for financial due diligence services in connection with a potential business combination transaction.

(3) Tax Fees consists of fees billed for the respective year for tax compliance, consultation and related matters.

Audit Committee Pre-Approval of Audit and Non-Audit Services

The Audit Committee has implemented procedures under the Unifi, Inc. Audit Committee Pre-Approval Policy for Audit and Non-Audit Services (the “Pre-Approval Policy”) to ensure that all audit and permitted non-audit services to be provided to the Company have been pre-approved by the Audit Committee. Specifically, the Audit Committee pre-approves the use of the Company’s independent registered public accounting firm for specific audit and non-audit services, within pre-approved monetary limits. If a proposed service has not been pre-approved pursuant to the Pre-Approval Policy, then it must be specifically pre-approved by the Audit Committee before the service may be provided by the Company’s independent registered public accounting firm. Any pre-approved services exceeding the pre-approved monetary limits require specific approval by the Audit Committee. For fiscal 2018, all of the audit fees were approved by the Audit Committee in accordance with the above procedures. All of the other fees billed by KPMG LLP to the Company for fiscal 2018 were approved by the Audit Committee by means of specific pre-approvals. All non-audit services provided in fiscal 2018 were reviewed with the Audit Committee, which concluded that the provision of such services by KPMG LLP was compatible with the maintenance of that firm’s independence in the conduct of its auditing functions.

Additional Information

Shareholder Proposals for the 2019 Annual Meeting of Shareholders

Any shareholder proposal intended to be included in UNIFI's proxy statement and form of proxy relating to the 2019 Annual Meeting of Shareholders must be in writing and received by the Company no later than May 16, 2019. Any such shareholder proposal must also comply with Rule 14a-8 of the Exchange Act, which lists the requirements for the inclusion of shareholder proposals in company-sponsored proxy materials. Shareholder proposals should be addressed to the attention of the Company's Secretary at Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410. Pursuant to the SEC rules, submitting a proposal will not guarantee that it will be included in the Company's proxy materials.

In addition, any shareholder proposal intended to be presented at the 2019 Annual Meeting of Shareholders, but that will not be included in the Company's proxy statement and form of proxy relating to the 2019 Annual Meeting of Shareholders (i.e., any proposal other than a proposal submitted pursuant to Rule 14a-8 of the Exchange Act), must be in writing and received by the Company's Secretary at Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410 no earlier than July 3, 2019 and no later than August 2, 2019. However, if the date of the 2019 Annual Meeting of Shareholders is more than 30 days before or more than 90 days after October 31, 2019, then the written notice must be received by the Company's Secretary no earlier than 120 days prior to the date of the 2019 Annual Meeting of Shareholders and no later than the close of business on the later of (i) 90 days prior to the date of such annual meeting or (ii) 10 days following the day on which the Company first announced publicly (or mailed notice to the shareholders of) the date of such meeting. Shareholder proposals must include the specified information concerning the proposal and the shareholder submitting the proposal as set forth in the Company's Amended and Restated By-laws. A copy of the Company's Amended and Restated By-laws may be obtained by writing to the Company's Secretary at Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410.

2018 Annual Report to Shareholders

This Proxy Statement is accompanied by the Annual Report on Form 10-K for the fiscal year ended June 24, 2018, and these materials are also available at *www.proxyvote.com* and the investor relations portion of the Company's website at *www.unifi.com*. The Annual Report on Form 10-K, which contains the audited consolidated financial statements and other information about the Company, is not incorporated in this Proxy Statement and is not to be deemed a part of the proxy soliciting material.

Annual Report on Form 10-K

The Company also will provide without charge to each person solicited pursuant to this Proxy Statement, upon the written request of any such person, a copy of the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2018, including the financial statements and the financial statement schedules required to be filed with the SEC, or any exhibit thereto. Requests should be in writing and addressed to the attention of the Company's Secretary at Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410.

Householding

The SEC has adopted rules permitting companies to mail one annual report and proxy statement, or notice of internet availability of proxy materials, as applicable, in one envelope to all shareholders residing at the same address if certain conditions are met. This is called "householding" and can result in significant savings of paper and mailing costs. The Company has not implemented householding with respect to its shareholders of record; however, a number of brokerage firms have instituted householding that may impact certain beneficial owners of shares held in street name. If members of your household have multiple accounts through which they hold Common Stock, you may have received a householding notification from the shareholder of record (e.g., your bank, broker or other nominee).

Please contact the shareholder of record directly if you have any questions or wish to revoke your decision to household or to receive an additional copy of this Proxy Statement, the Annual Report on Form 10-K for the fiscal year ended June 24, 2018 or the Notice of Internet Availability for members of your household.

Appendix A

Non-GAAP Financial Performance Measures

Unifi, Inc. (the “Company”) prepares its consolidated financial statements and reports in accordance with U.S. generally accepted accounting principles (“GAAP”). The Company’s executive compensation program uses Adjusted EBITDA, which represents Net income attributable to Unifi, Inc. before net interest expense, income tax expense and depreciation and amortization expense, adjusted to exclude equity in earnings of Parkdale America, LLC and certain other adjustments necessary to understand and compare the underlying results of the Company, as a measure of the Company’s financial performance for purposes of determining the annual incentive compensation earned by executives under the program. The Company’s methods of determining Adjusted EBITDA may differ from the methods used by other companies. Accordingly, this non-GAAP financial performance measure may not be comparable to measures used by other companies.

In determining Adjusted EBITDA for annual incentive compensation purposes, fiscal 2018 Adjusted EBITDA presented in the Company’s Annual Report on Form 10-K for the fiscal year ended June 24, 2018 was further adjusted to exclude certain officer recruitment and severance costs, special project costs, foreign currency transaction losses and unbudgeted director compensation expense, all of which the Compensation Committee adjusted for as being outside of management’s control for operating results and cash generation or not anticipated when the fiscal 2018 performance measures were approved at the beginning of the fiscal year.

The Compensation Committee uses Adjusted EBITDA as a measure for annual incentive compensation purposes because the Compensation Committee believes Adjusted EBITDA serves as a high-level proxy for cash generated from operations, which is a key performance indicator used by the Board of Directors and management to assess the Company’s operating results generally. However, this financial performance measure is not calculated in accordance with GAAP and should not be considered in isolation from, or as a substitute for, net income and other financial results reported in the Company’s consolidated financial statements prepared in accordance with GAAP.

The following table sets forth the reconciliation of the amount reported under GAAP for Net income attributable to Unifi, Inc. to Adjusted EBITDA for the fiscal year ended June 24, 2018 (in thousands):

Net income attributable to Unifi, Inc.	$ 31,702
Interest expense, net	4,375
Benefit for income taxes	(1,491)
Depreciation and amortization expense	22,218
EBITDA	$ 56,804
Equity in earnings of Parkdale America, LLC	(4,533)
Adjusted EBITDA per Form 10-K[(1)]	$ 52,271
Officer recruitment and severance costs	2,870
Special project costs	992
Foreign currency transaction losses	542
Unbudgeted director compensation expense	288
Adjusted EBITDA per Incentive Plan[(2)]	$ 56,963

(1) As reported in the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2018.

(2) As utilized by the Compensation Committee for determining annual incentive compensation.

Appendix B

UNIFI, INC.

AMENDED AND RESTATED 2013 INCENTIVE COMPENSATION PLAN

UNIFI, INC.

AMENDED AND RESTATED 2013 INCENTIVE COMPENSATION PLAN

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UNIFI, INC.

AMENDED AND RESTATED 2013 INCENTIVE COMPENSATION PLAN

1. Purpose. This Plan is an amendment and restatement of the Unifi, Inc. 2013 Incentive Compensation Plan. The effective date of this Plan is October 24, 2018, subject to shareholder approval of the amended and restated Plan. The Plan is designed to support the overall compensation philosophy and objectives of the Company to (a) attract and retain persons eligible to participate in the Plan; (b) motivate Participants, by means of appropriate equity-based incentives, to achieve performance goals; (c) provide incentive compensation opportunities that are competitive with those of other similar companies; and (d) provide the Company the ability to further align Participants' interests with those of the Company's shareholders through compensation that is based on the Company's common stock; and thereby promote the long-term financial interest of the Company, including the growth in value of the Company's equity and enhancement of long-term shareholder return. The Plan is also intended to allow for grants of stock incentives to compensate non-employee members of the Company's Board of Directors.

2. Definitions. As used in the Plan, the following terms have the meanings indicated:

(a) "Act" means the Securities Exchange Act of 1934, as amended.

(b) "Affiliate" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such first Person.

(c) "Applicable Withholding Taxes" means the aggregate amount of federal, state and local income and employment taxes that an Employer is required to withhold in connection with any award of Performance Shares, any lapse of restrictions on Restricted Stock, any compensatory dividends paid on Restricted Stock, any vesting of Restricted Stock Units or Performance Share Units, or any exercise of a Nonstatutory Stock Option or Stock Appreciation Right.

(d) "Award" means any Incentive Award or Director Award.

(e) "Beneficial Owner" (and variants thereof) has the meaning given in Rule 13d-3 promulgated under the Act and, only to the extent such meaning is more restrictive than the meaning given in Rule 13d-3, the meaning determined in accordance with Code section 318(a).

(f) "Board" means the Board of Directors of the Company.

(g) "Change of Control" means, the occurrence of any of the following events:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of more than 50% of either (A) the combined fair market value of the then outstanding stock of the Company (the "Total Fair Market Value") or (B) the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the Company (the "Total Voting Power"); excluding, however, the following: (1) any acquisition by the Company or any of its Controlled Affiliates, (2) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Controlled Affiliates, (3) any Person who becomes such a Beneficial Owner in connection with a transaction described in the exclusion within subsection (iv) below and (4) any acquisition of additional stock or securities by a Person who owns more than 50% of the Total Fair Market Value or Total Voting Power of the Company immediately prior to such acquisition; or

(ii) any Person is or becomes the Beneficial Owner, directly or Indirectly, of securities of the Company that, together with any securities acquired directly or indirectly by such Person within the immediately preceding twelve-consecutive month period, represent 30% or more of the Total Voting Power of the Company; excluding, however, any acquisition described in subclauses (1) through (4) of subsection (i) above; or

(iii) a change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (such individuals shall be hereinafter referred to as the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this definition, that any individual who becomes a director subsequent to the Effective Date, whose election, or nomination for election by the Company's shareholders, was made or approved by a vote of at least a majority of the Incumbent Directors (or directors whose election or nomination for election was previously so approved) shall be considered an Incumbent Director; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 promulgated under the Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person or legal entity other than the Board shall not be considered an Incumbent Director; provided finally, however, that, as of any time, any member of the Board who has been a director for at least twelve (12) consecutive months immediately prior to such time shall be considered an Incumbent Director for purposes of this definition, other than for the purpose of the first proviso of this definition; or

(iv) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company or a sale or other disposition of the assets of the Company that have a total gross fair market value equal to or greater than 40% of the total gross fair market value of the assets of the Company immediately prior to such acquisition ("Corporate Transaction"); excluding, however, such a Corporate Transaction pursuant to which all or substantially all of the individuals and entities who are the Beneficial Owners, respectively, of the outstanding Company Stock and Total Voting Power immediately prior to such Corporate Transaction will Beneficially Own, directly or indirectly, more than 50%, respectively, of the outstanding Company Stock and the combined voting power of the then outstanding Company Stock and the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the company resulting from such Corporate Transaction (including, without limitation, a company that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Corporate Transaction of the outstanding Company Stock and Total Voting Power, as the case may be.

Notwithstanding anything in this Section 2(g) to the contrary, an event that does not constitute a change in the ownership of the Company, a change in the effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company, each as defined in Section 1.409A-3(i)(5) of the Treasury Regulations, shall not constitute a Change of Control for purposes of this Plan.

(h) "Code" means the Internal Revenue Code of 1986, as amended.

(i) "Consultant" means a Service Provider who is not an Employee or Independent Director.

(j) "Control" (and variants thereof) has the meaning specified in Rule 12b-2 promulgated under the Act.

(k) "Committee" means the Compensation Committee of the Board (or any successor Board committee designated by the Board to administer the Plan), provided that, if any member of the Compensation Committee does not qualify as (i) a non-employee director for purposes of Rule 16b-3 promulgated under the Act, and (ii) an independent director for purposes of the rules of the principal exchange on which Company Stock is traded, the remaining members of the Committee who do so qualify (but not less than two members) shall be constituted as a subcommittee to act as the Committee for purposes of the Plan.

(l) "Company" means Unifi, Inc., a New York corporation, and any successor corporation.

(m) "Company Stock" means the common stock of the Company, par value $0.10 per share. In the event of a change in the capital structure of the Company (as provided in Section 15), the shares resulting from the change shall be deemed to be Company Stock within the meaning of the Plan.

(n) "Date of Grant" means (i) with respect to a Non-Option Award, the date on which the Committee (or, with respect to a Director Award, the Board) grants the award; (ii) with respect to a Nonstatutory Option or Stock Appreciation Right, the date on which the Committee (or, with respect to a Director Award, the Board) completes the corporate action necessary to create a legally binding right constituting the Nonstatutory Stock Option or Stock Appreciation Right; or (iii) with respect to an Incentive Stock Option, the date on which the Committee completes the corporate action constituting an offer of stock for sale to a Participant under the terms and conditions of the Incentive Stock Option. With respect to any Award, the Committee (and, with respect to any Director Award, the Board) may specify a future date on which the Award is to be granted or to become effective.

(o) "Director Award" means any Nonstatutory Option, Stock Appreciation Right, share of Restricted Stock, Vested Share, Vested Share Unit, Restricted Stock Unit or Performance Share Unit awarded to an Independent Director under the Plan.

(p) "Disability" means, as to an Incentive Stock Option, a Disability within the meaning of Code section 22(e)(3). As to all other Awards, Disability (or variants thereof) means, unless otherwise provided in the Grant Agreement with respect to the Award,

> (i) the Participant's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or entitlement to and receipt of disability benefits under a disability insurance program of the Company that pays benefits on the basis of the foregoing definition;
>
> (ii) the Participant is, by reason of a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for

a continuous period of not less than twelve (12) months, receiving either (A) income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company or (B) disability benefits under a disability insurance program that pays benefits on the basis of the foregoing definition; or

(iii) The Participant is determined to be totally disabled by the Social Security Administration.

The Committee (or, with respect to a Director Award, the Board) shall determine whether a Disability exists and the determination shall be conclusive.

(q) "Effective Date" means the date described in Section 20 of the Plan.

(r) "Employee" means an individual employed by the Company or a Related Company as a common-law employee.

(s) "Employer" means the Company or Related Company with respect to which an Employee provides services.

(t) "Fair Market Value" means:

(i) if the Company Stock is at the time listed or admitted to trading on any stock exchange, the "Fair Market Value" shall be the mean between the lowest and highest reported sale prices of the Company Stock on the date in question on the principal exchange on which the Company Stock is then listed or admitted to trading. If no reported sale of Company Stock takes place on the date in question on the principal exchange, then the mean between the lowest and highest reported sale prices of the Company Stock on the closest date prior to the date in question on the principal exchange shall be determinative of "Fair Market Value";

(ii) if the Company Stock is not at the time listed or admitted to trading on a stock exchange, the "Fair Market Value" shall be the mean between the lowest and highest reported sale prices of the Company Stock on the date in question in the over-the-counter market, as such prices are reported in a publication of general circulation selected by the Committee and regularly reporting the market price of Company Stock in such market; or

(iii) if the Company Stock is not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, the "Fair Market Value" shall be as determined in good faith by the Committee.

(u) "Fiscal Year" means the fiscal period used by the Company for reporting taxes on its income under the Code.

(v) "Grant Agreement" means the written agreement between the Company and a Participant containing the terms and conditions with respect to an Award.

(w) "Independent Director" means a member of the Board who satisfies the requirements for a non-employee director as provided in Section 16(b) of the Act.

(x) "Incentive Award" means any Performance Share, Option, Stock Appreciation Right, share of Restricted Stock, Vested Share, Vested Share Unit, Restricted Stock Unit or Performance Share Unit awarded to a Service Provider under the Plan.

(y) "Incentive Stock Option" means an Option (i) intended to meet the requirements of, and qualify for favorable federal income tax treatment under, Code section 422 and (ii) that meets such requirements.

(z) "Non-Option Award" means an Award other than an Option or Stock Appreciation Right.

(aa) "Nonstatutory Stock Option" means an Option that does not meet the requirements of Code section 422, or, even if meeting the requirements of Code section 422, is not intended to be an Incentive Stock Option and is so designated.

(bb) "Option" means a right to purchase Company Stock granted under the Plan, at a price determined in accordance with Section 9.

(cc) "Participant" means any Service Provider or Independent Director who receives an Award under the Plan.

(dd) "Performance Criteria" means the performance of the Company, any Related Company, any subsidiary, division, business unit thereof, or any individual using one or more of the following measures or any other measures selected by the Committee, in each case, either on an operating or GAAP basis where applicable (or on the basis of such other standards as may replace or succeed GAAP), adjusted to include or exclude one or more nonrecurring, operating, non-operating or other items as applicable, and including measuring the performance of any of the following relative to a defined peer group of companies or an index: market value of the Company Stock; pre-tax profits; unit production costs; asset growth; pre-tax earnings; debt to equity ratio; earnings per share; revenues; operating income; operating costs and efficiencies; operating cash flow; net income, before or after taxes; net income before income taxes, incentive payments and accounting for minority interest; return on total capital, equity, revenue or assets; market share; unit production and sales volume; earnings before interest, taxes, depreciation, rent and amortization expenses; earnings before interest, taxes, depreciation and amortization; earnings before interest and taxes; any of the prior measures or earnings before taxes and unusual or nonrecurring items as measured either against the annual budget or as a ratio to revenue or return on total capital; net earnings; profit margin; operating margin; operating income; net worth; cash flow; cash flow per share; total shareholder return; revenues; capital expenditures; improvements in capital structure; industry indices; expenses and expense ratio management; debt reduction; profitability of an identifiable business unit or product; or levels of expense, cost or liability by category, operating unit or any other delineation. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Performance Criteria unsuitable, the Committee may in its discretion modify such Performance Criteria or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable.

(ee) "Performance Goal" means an objectively determinable performance goal established by the Committee that relates to one or more Performance Criteria.

(ff) "Performance Share" means a right to receive a share of Company Stock subject to the satisfaction of performance conditions as set forth in Section 6.

(gg) "Performance Share Unit" means a right to receive Company Stock or cash awarded upon the terms and subject to grant and vesting conditions as set forth in Section 8.

(hh) "Person" shall have the meaning given in Section 3(a)(9) of the Act, as modified by Sections 13(d) and 14(d) of the Act, and only to the extent such meaning is more restrictive than the meaning given in Section 3(a)(9) of the Act (as modified above), the meaning determined in accordance with Sections 1.409A-3(i)(5)(v)(B), (vi)(D) or (vii)(C) of the Treasury Regulations (or any successor provisions), as applicable.

(ii) "Plan" means this Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan, as it may be amended from time to time.

(jj) "Related Company" means, (i) for purposes of determining eligibility to receive an Incentive Stock Option, any "parent corporation" with respect to the Company within the meaning of Code section 424(e) or any "subsidiary corporation" with respect to the Company within the meaning of Code section 424(f); (ii) for purposes of determining eligibility to receive a Nonstatutory Stock Option or Stock Appreciation Right, any corporation or other entity in a chain of corporations or other entities in which each corporation or other entity has a controlling interest (within the meaning of Section 1.409A-1(b)(5)(E)(1) of the Treasury Regulations (or any successor provision)) in another corporation or other entity in the chain, beginning with a corporation or other entity in which the Company has a controlling interest; and (iii) for all other purposes under the Plan, any corporation, trade or business that would be required to be treated as a single employer with the Company under Code sections 414(b) or (c), provided that, in applying Code sections 1563(a)(1), (2) and (3) for purposes of determining a controlled group of corporations, or in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses under common control, the phrase "at least 50%" shall replace the phrase "at least 80%" each time it appears in those sections.

(kk) "Repricing" means, with respect to an Option or Stock Appreciation Right, any of the following: (i) the lowering of the exercise price after the Date of Grant; (ii) the taking of any other action that is treated as a repricing under generally accepted accounting principles; or (iii) the cancellation of the Option or Stock Appreciation Right at a time when its exercise price (or, with respect to the Stock Appreciation Right, the Fair Market Value of the Company Stock covered by the Stock Appreciation Right on the Date of Grant) exceeds the Fair Market Value of the underlying Company Stock in exchange for any other Award, unless the cancellation and exchange occurs in connection with a Corporate Event (as defined in Section 15(b) below).

(ll) "Restricted Stock" means Company Stock awarded upon the terms and subject to restrictions as set forth in Section 7.

(mm) "Restricted Stock Unit" means a right to receive Company Stock or cash awarded upon the terms and subject to vesting conditions as set forth in Section 8.

(nn) "Retirement" means, unless otherwise provided in the Grant Agreement for a particular Award, a Participant's termination of employment or other separation from service on or after age 65.

(oo) "Rule 16b-3" means Rule 16b-3 promulgated under the Act, as amended from time to time.

(pp) "Service Provider" means an Employee, Consultant or other natural person employed by or providing bona fide services to the Company or a Related Company, excluding any Independent Director.

(qq) "Stock Appreciation Right" means a right to receive Company Stock or cash granted under Section 10.

(rr) "Tandem Right" means a kind of Stock Appreciation Right granted in connection with a Nonstatutory Stock Option as described in Section 10.

(ss) "Ten Percent Shareholder" means a person who owns, directly or indirectly, stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any Related Company. Indirect ownership of stock shall be determined in accordance with Code section 424(d).

(tt) "Treasury Regulations" mean the final, temporary or proposed regulations issued by the Treasury Department and/or Internal Revenue Service as codified in Title 26 of the United States Code of Federal Regulations. Any references made in the Plan to specific Treasury Regulations shall also refer to any successor or replacement regulations thereto.

(uu) "Vested Share" means a share of Company Stock awarded upon the terms set forth in Section 11.

(vv) "Vested Share Unit" means a right to receive a share of Company Stock awarded upon the terms set forth in Section 11.

3. General. The following types of Awards may be granted under the Plan: Performance Shares, shares of Restricted Stock, Vested Shares, Vested Share Units, Restricted Stock Units, Performance Share Units, Options, or Stock Appreciation Rights. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options.

4. Stock.

(a) *Reserve*. Subject to Section 15 of the Plan, the number of shares of Company Stock with respect to which Awards may be granted under the Plan during the term of the Plan beginning on the Effective Date shall be one million two hundred fifty thousand (1,250,000) shares of Company Stock, which shall be authorized but unissued shares.

(b) *Share Use*. Any shares of Company Stock granted under the Plan that are forfeited because of the failure to meet an Award contingency or condition shall again be available for delivery pursuant to new Awards granted under the Plan.

To the extent any shares of Company Stock covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or cancelled, or the shares of Stock are not delivered because the Award is settled in cash, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Company Stock available for delivery under the Plan.

Shares of Company Stock delivered under the Plan in settlement, assumption or substitution of outstanding awards under the plans or arrangements of another entity shall not reduce the maximum number of shares of Company Stock available for delivery under the Plan, to the extent that such settlement, assumption or substitution is a result of the Company acquiring another entity (or an interest in another entity).

Shares of Company Stock may be issued under this Plan without cash consideration.

5. Eligibility.

(a) *Incentive Awards*. All present and future Service Providers of the Company or any Related Company (whether now existing or hereafter created or acquired) who have contributed or who can be expected to contribute significantly to the Company or a Related Company shall be eligible to receive Incentive Awards under the Plan. The Committee shall have the power and complete discretion, as provided in Section 16, to select eligible Service Providers to receive Incentive Awards and to determine for each Service Provider the nature of the award and the terms and conditions of each Incentive Award.

(b) *Director Awards*. All present and future Independent Directors shall be eligible to receive Director Awards under the Plan. The Board shall have the power and complete discretion to select eligible Independent Directors to receive Director Awards and to determine for each Independent Director the nature of the award and the terms and conditions of each Director Award.

(c) *No Contract of Employment or Services*. The grant of an Award shall not obligate the Company or any Related Company to pay any Service Provider or Independent Director any particular amount of remuneration, to continue the employment or services of the Service Provider or Independent Director after the grant or to make further grants to the Service Provider or Independent Director at any time thereafter.

(d) *Awards to International Employees*. When granting Awards to Service Providers or Independent Directors who are not United States residents, the Committee (or with respect to Director Awards, the Board) shall have complete discretion and authority to grant such Awards in compliance with all present and future laws of the country or countries with laws that may apply to the grant of the Award or the issuance of Company Stock pursuant to the Award. Such authorization shall extend to and include establishing one or more separate sub-plans that include provisions not inconsistent with the Plan that comply with statutory or regulatory requirements imposed by the country or countries in which the Participant resides.

6. Performance Shares.

(a) The Committee may grant Performance Shares to eligible Service Providers. Whenever the Committee grants Performance Shares, a Grant Agreement shall be given to the Service Provider stating the number of Performance Shares granted and the terms and conditions to which the Award of Performance Shares is subject, and, at that time, the Service Provider shall become a Participant.

(b) The Committee may reserve the right in a Grant Agreement to settle all or any portion of an award of Performance Shares in cash instead of shares of Company Stock, with the cash portion to be determined based on the Fair Market Value as of the date of payment of the shares of Company Stock otherwise payable under the award, or to allow the Participant to defer payment under the award, subject to such terms as the Committee may determine in accordance with Code section 409A.

(c) A Participant shall have no rights as a shareholder until shares of Company Stock are issued under the Performance Share award and all requirements with respect to the issuance of such shares have been satisfied.

(d) A Participant's interest in an award of Performance Shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered.

(e) Each Participant who is an Employee may be required to agree at the time of receiving an Award of Performance Shares, and as a condition thereof, to pay to the Employer, or make arrangements satisfactory to the Employer regarding the payment to the Employer of, Applicable Withholding Taxes. Until the amount has been paid or arrangements satisfactory to the Employer have been made, the Employer may delay issuing a stock certificate to the Participant. Payment to the Employer in satisfaction of Applicable Withholding Taxes may be in cash. In addition, (i) payment to the Employer in satisfaction of Applicable Withholding Taxes may be made in shares of Company Stock (valued at their Fair Market Value as of the date of payment) to which the Participant has good title, free and clear of all liens and encumbrances; (ii) the Participant may elect to have his or her Employer retain that number of shares of Company Stock (valued at their Fair Market Value as of the date of such retention) that would satisfy all or a specified portion of the Applicable Withholding Taxes; or (iii) unless prohibited by law, the Participant may deliver irrevocable instructions to a broker to deliver promptly to the Employer, from the sale or loan proceeds with respect to the sale of Company Stock or a loan secured by Company Stock, the amount necessary to pay the Applicable Withholding Taxes.

7. Restricted Stock Awards.

(a) The Committee may grant Restricted Stock to eligible Service Providers. Whenever the Committee deems it appropriate to grant Restricted Stock, a Grant Agreement shall be given to the Service Provider stating the number of shares of Restricted Stock granted and the terms and conditions to which the Restricted Stock is subject, and, at that time, the Service Provider shall become a Participant.

(b) The Committee shall establish as to each award of Restricted Stock the terms and conditions upon which the restrictions set forth in paragraph (c) below shall lapse. The terms and conditions may include the continued performance of services or the achievement of performance conditions measured on an individual, corporate or other basis, or any combination thereof. A Restricted Stock Award, the vesting of which is not conditioned on the achievement Performance Goals or other performance conditions, shall have a vesting period of not less than three (3) years from the Date of Grant of the Restricted Stock Award. A Restricted Stock Award, the vesting of which is conditioned on the achievement of Performance Goals or other performance conditions, shall not vest less than one (1) year from the Date of Grant. Notwithstanding the preceding two sentences, the Committee may, in its discretion and without limitation, provide in the Grant Agreement that restrictions will lapse prior to the expiration of the service or performance period as a result of the Disability, death or Retirement of the Participant or the occurrence of a Change of Control.

(c) No shares of Restricted Stock may be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of until the restrictions on the shares established by the Committee have lapsed or been removed.

(d) Upon the acceptance by a Participant of an award of Restricted Stock, the Participant shall, subject to the restrictions set forth in subsection (c) above, have all the rights of a shareholder with respect to the shares of Restricted Stock, including, but not limited to, the right to vote the shares of Restricted Stock and the right to receive all dividends and other distributions paid thereon; provided, however, dividends and other distributions paid with respect to shares of Restricted Stock may be paid to the Participant only to the extent the restrictions on the shares of Restricted Stock have lapsed or been removed, and any dividends and other distributions paid with respect to shares of Restricted Stock that do not become vested shall be forfeited. Certificates representing Restricted Stock may be held by the Company until the restrictions lapse and, upon request, the Participant shall provide the Company with appropriate stock powers endorsed in blank.

(e) Each Participant who is an Employee may be required to agree at the time of receiving an Award of Restricted Stock, and as a condition thereof, to pay to the Employer, or make arrangements satisfactory to the Employer regarding the payment to the Employer of, Applicable Withholding Taxes. Until the amount has been paid or arrangements satisfactory to the Employer have been made, the Employer may delay issuing a stock certificate to the Participant. Payment to the Employer in satisfaction of Applicable Withholding Taxes may be in cash. In addition, (i) payment to the Employer in satisfaction of Applicable Withholding Taxes may be made in shares of Company Stock (valued at their Fair Market Value as of the date of payment) to which the Participant has good title, free and clear of all liens and encumbrances; (ii) the Participant may elect to have his or her Employer retain that number of shares of Company Stock (valued at their Fair Market Value as of the date of such retention) that would satisfy all or a specified portion of the Applicable Withholding Taxes; or (iii) unless prohibited by law, the Participant may deliver irrevocable instructions to a broker to deliver promptly to the Employer, from the sale or loan proceeds with respect to the sale of Company Stock or a loan secured by Company Stock, the amount necessary to pay the Applicable Withholding Taxes.

8. Performance Share Units and Restricted Stock Units.

(a) The Committee may grant Performance Share Units and Restricted Stock Units to eligible Service Providers. Whenever the Committee deems it appropriate to grant Performance Share Units or Restricted Stock Units, a Grant Agreement shall be given to the Service Provider stating the number of Performance Share Units or Restricted Stock Units granted and the terms and conditions to which the Performance Share Units or Restricted Stock Units are subject, and, at that time, the Service Provider shall become a Participant.

(b) The Committee shall establish as to each award of Performance Share Units the terms and conditions upon which the Performance Share Units shall be earned, vest and be paid. The issuance and vesting of Performance Share Units may be conditioned on the achievement of performance conditions measured on an individual, corporate, or other basis, or any combination thereof and on the continued performance of services. The Committee shall establish as to each award of Restricted Stock Units the terms and conditions upon which the Restricted Stock Units shall vest and be paid. Vesting may be conditioned on the continued performance of services or the achievement of performance conditions measured on an individual, corporate, or other basis, or any combination thereof. A Restricted Stock Unit, the vesting of which is not conditioned on the achievement of Performance Goals or other performance conditions, shall not have a vesting period of less than three (3) years from the Date of Grant of the Restricted Stock Unit. A Performance Share Unit or Restricted Stock Unit, the vesting of which is conditioned on the achievement of Performance Goals or other performance conditions, shall not vest less than one (1) year from the Date of Grant. Notwithstanding the foregoing, the Committee may, in its discretion and without limitation, provide in the Grant Agreement that restrictions will expire as a result of one or more of the Disability, death or Retirement of the Participant or the occurrence of a Change of Control.

(c) Performance Share Units and Restricted Stock Units may be paid in cash, Company Stock, or a fixed combination of Company Stock or cash as provided in the Grant Agreement, or the Committee may reserve the right to determine the manner of payment at the time the Performance Share Units or Restricted Stock Units become payable. The delivery of Company Stock in payment of Performance Share Units or Restricted Stock Units may be subject to additional conditions established in the Grant Agreement.

(d) A Participant who receives Performance Share Units or Restricted Stock Units payable in Company Stock shall have no rights as a shareholder until the Company Stock is issued pursuant to the terms of the Grant Agreement and all requirements with respect to the issuance of such shares have been satisfied. The Committee may, in its discretion, provide that a Participant shall be entitled to receive dividend equivalents on outstanding Performance Share Units or Restricted Stock Units. Dividend equivalents may be (i) paid in cash, (ii) credited to the Participant as additional Performance Share Units or Restricted Stock Units, or (iii) a fixed combination of cash and additional Performance Share Units or Restricted Stock Units as provided in the Grant Agreement; provided, however, dividend equivalents with respect to Performance Share Units may be paid to the Participant only to the extent the Performance Goals or other performance conditions applicable to the Performance Share Units are achieved and dividend equivalents with respect to Restricted Stock Units may be paid to the Participant only if the Restricted Stock Units become vested, and any dividends and other distributions paid with respect to Performance Share Units or Restricted Stock Units that are not earned or become vested shall be forfeited.

(e) A Participant's interest in Performance Share Units or Restricted Stock Units may not be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered.

(f) Whenever payments under Performance Share Units or Restricted Stock Units are to be made in cash to a Participant who is an Employee, his or her Employer shall be entitled to withhold therefrom an amount sufficient to satisfy any Applicable Withholding Taxes. Each Participant who is an Employee may be required to agree as a condition of receiving Performance Share Units or Restricted Stock Units payable in the form of Company Stock to pay to his or her Employer, or make arrangements satisfactory to the Employer regarding the payment to the Employer of, Applicable Withholding Taxes. Until the amount has been paid or arrangements satisfactory to the Employer have been made, the Employer may delay issuing a stock certificate to the Participant. Payment to the Employer in satisfaction of Applicable Withholding Taxes may be in cash. In addition, (i) payment to the Employer in satisfaction of Applicable Withholding Taxes may be made in shares of Company Stock (valued at their Fair Market Value as of the date of payment) to which the Participant has good title, free and clear of all liens and encumbrances; (ii) the Participant may elect to have his or her Employer retain that number of shares of Company Stock (valued at their Fair Market Value as of the date of such retention) that would satisfy all or a specified portion of the Applicable Withholding Taxes; or (iii) unless prohibited by law, the Participant may deliver irrevocable instructions to a broker to deliver promptly to the Employer, from the sale or loan proceeds with respect to the sale of Company Stock or a loan secured by Company Stock, the amount necessary to pay the Applicable Withholding Taxes.

9. Stock Options.

(a) The Committee may grant Options to eligible Service Providers. Whenever the Committee grants Options, a Grant Agreement shall be given to the Service Provider stating the number of shares for which Options are granted, the Option exercise price per share, whether the Options are Incentive Stock Options or Nonstatutory Stock Options, the extent, if any, to which associated Stock Appreciation Rights are granted, and the conditions to which the grant and exercise of the Options are subject, and, at that time, the Service Provider shall become a Participant.

(b) The exercise price of shares of Company Stock covered by an Option shall not be, and shall never become, less than 100% of the Fair Market Value of the shares on the Date of Grant, except as may be provided in Section 16 (regarding certain changes affecting Company Stock). If the Participant is a Ten Percent Shareholder and the Option is intended to qualify as an Incentive Stock Option, the exercise price shall be not less than 110% of the Fair Market Value of such shares on the Date of Grant.

(c) Options may be exercised in whole or in part at the times as may be specified by the Committee in the Participant's Grant Agreement; provided that no Option may be exercised after the expiration of ten (10) years from the Date of Grant. If the Participant is a Ten Percent Shareholder and the Option is intended to qualify as an Incentive Stock Option, the Option may not be exercised after the expiration of five (5) years from the Date of Grant.

(d) Options shall not be transferable except to the extent specifically provided in the Grant Agreement in accordance with applicable securities laws. Incentive Stock Options, by their terms, shall not be transferable except by will or the laws of descent and distribution and shall be exercisable, during the Participant's lifetime, only by the Participant.

(e) Options that are intended to qualify as Incentive Stock Options shall be granted only to Employees who meet the eligibility requirements of Section 5.

(f) Options that are intended to qualify as Incentive Stock Options shall, by their terms, not be exercisable after the first to occur of (i) ten (10) years from the Date of Grant (five (5) years if the Participant to whom the Option has been granted is a Ten Percent Shareholder), (ii) three (3) months following the date of the Participant's termination of employment with the Company and all Related Companies for reasons other than Disability or death, or (iii) one (1) year following the date of the Participant's termination of employment on account of Disability or death.

(g) Options that are intended to qualify as Incentive Stock Options shall, by their terms, be exercisable in any calendar year only to the extent that the aggregate Fair Market Value (determined as of the Date of Grant) of the Company Stock with respect to which Incentive Stock Options are exercisable for the first time during the Plan Year does not exceed $100,000 (the "Limitation Amount"). Incentive Stock Options granted under the Plan and all other plans of the Company and all Related Companies shall be aggregated for purposes of determining whether the Limitation Amount has been exceeded. The Committee may impose any conditions as it deems appropriate on an Incentive Stock Option to ensure that the foregoing requirement is met. If Incentive Stock Options that first become exercisable in a Plan Year exceed the Limitation Amount, the excess Options shall be treated as Nonstatutory Stock Options to the extent permitted by law.

(h) A Participant who purchases shares of Company Stock under an Option shall have no rights as a shareholder until the Company Stock is issued pursuant to the terms of the Grant Agreement and all requirements with respect to the issuance of such shares have been satisfied.

(i) Options may be exercised by the Participant giving written notice of the exercise to the Company, stating the number of shares the Participant has elected to purchase under the Option. The notice shall be effective only if accompanied by the exercise price in full in cash; provided, however, the Participant (i), unless prohibited by law, may deliver a properly executed exercise notice together with irrevocable instructions to a broker to deliver promptly to the Company, from the sale or loan proceeds with respect to the sale of Company Stock or a loan secured by Company Stock, the amount necessary to pay the exercise price and, if required by the terms of the Option or the Committee in its discretion, Applicable Withholding Taxes, (ii) may deliver shares of Company Stock for which the holder thereof has good title, free and clear of all liens and encumbrances (valued at their Fair Market Value on the date of exercise) in satisfaction of all or any part of the exercise price, (iii) may cause to be withheld from the Option shares, shares of Company Stock (valued at their Fair Market Value on the date of exercise) in satisfaction of all or any part of the exercise price, or (iv) may use any other methods of payment as the Committee, at its discretion, deems appropriate. Until the Participant has paid the exercise price and any Applicable Withholding Taxes, no stock certificate shall be issued.

(j) Each Participant who is an Employee may be required to agree as a condition of the exercise of an Option to pay to his or her Employer, or make arrangements satisfactory to his or her Employer regarding the payment to the Employer of, Applicable Withholding Taxes. Until the amount has been paid or arrangements satisfactory to the Employer have been made, no stock certificate shall be issued upon the exercise of an Option. Payment to the Employer in satisfaction of Applicable Withholding Taxes may be in cash. In addition, (i) payment to the Employer in satisfaction of Applicable Withholding Taxes may be made in shares of Company Stock (valued at their Fair Market Value as of the date of payment) to which the Participant has good title, free and clear of all liens and encumbrances; (ii) the Participant may elect to have his or her Employer retain that number of shares of Company Stock (valued at their Fair Market Value as of the date of such retention) that would satisfy all or a specified portion of the Applicable Withholding Taxes; or (iii) unless prohibited by law, the Participant may deliver irrevocable instructions to a broker to deliver promptly to the Employer, from the sale or loan proceeds with respect to the sale of Company Stock or a loan secured by Company Stock, the amount necessary to pay the Applicable Withholding Taxes.

(k) Unless specifically provided in the discretion of the Committee in a writing that references and supersedes this Section 9(k), (i) no Modification shall be made in respect to any Option if such Modification would result in the Option constituting a deferral of compensation, and (ii) no Extension shall be made in respect to any Option if such Extension would result in the Option having an additional deferral feature from the Date of Grant, in each case within the meaning of applicable Treasury Regulations under Code section 409A. Subject to the remaining part of this paragraph (k), (A) a "Modification" means any change in the terms of the Option (or change in the terms of the Plan or applicable Grant Agreement) that may provide the holder of the Option with a direct or indirect reduction in the exercise price of the Option, regardless of whether the holder in fact benefits from the change in terms; and (B) an "Extension" means any of (1) the provision to the holder of an additional period of time within which to exercise the Option beyond the time originally prescribed, (2) the conversion or exchange of the Option for a legally binding right to compensation in a future taxable year, (3) the addition of any feature for the deferral of compensation to the terms of the Option, or (4) any renewal of the Option that has the effect of any of (1) through (3) above. Notwithstanding the preceding sentence, it shall not be a Modification or an Extension, respectively, to change the terms of an Option in accordance with Section 16 of the Plan, or in any of the other ways or for any of the other purposes provided in applicable Treasury Regulations or other generally applicable guidance under Code section 409A as not resulting in a Modification or Extension for purposes of that section. In particular, it shall not be an Extension to extend the exercise period of an Option to a date no later than the earlier of (x) the latest date upon which the Option could have expired by its original terms under any circumstances or (y) the tenth (10th) anniversary of the original Date of Grant.

10. Stock Appreciation Rights.

(a) The Committee may grant Stock Appreciation Rights to eligible Service Providers. Whenever the Committee grants Stock Appreciation Rights, a Grant Agreement shall be given to the Service Provider stating the number of shares with respect to which Stock Appreciation Rights are granted, the extent, if any, to which the Stock Appreciation Rights are granted in connection with all or any part of a Nonstatutory Stock Option ("Tandem Rights"), and the conditions to which the grant and exercise of the Stock Appreciation Rights are subject, and, at that time, the Service Provider shall become a Participant.

(b) Stock Appreciation Rights (other than Tandem Rights) shall entitle the Participant, upon exercise of all or any part of the Stock Appreciation Rights, to receive in exchange from the Company an amount equal to the excess of (i) the Fair Market Value on the date of exercise of the Company Stock covered by the surrendered Stock Appreciation Right over (ii) the Fair Market Value of the Company Stock on the Date of Grant of the Stock Appreciation Right.

(c) Tandem Rights shall entitle the Participant, upon exercise of all or any part of the Tandem Rights, to surrender to the Company unexercised that portion of the underlying Nonstatutory Stock Option relating to the same number of shares of Company Stock as is covered by the Tandem Right (or the portion of the Tandem Right so exercised) and to receive in exchange from the Company an amount equal to the excess of (i) the Fair Market Value on the date of exercise of the Company Stock covered by the surrendered portion of the underlying Nonstatutory Stock Option over (ii) the exercise price of the Company Stock covered by the surrendered portion of the underlying Nonstatutory Stock Option.

(d) Upon the exercise of a Tandem Right and surrender of the related portion of the underlying Nonstatutory Stock Option, the Nonstatutory Stock Option, to the extent surrendered, shall not thereafter be exercisable.

(e) Subject to any further conditions upon exercise imposed by the Committee, a Tandem Right shall be granted on the same Date of Grant as the related Nonstatutory Stock Option, be transferable only to the extent that the related Nonstatutory Stock Option is transferable, be exercisable only to the extent that the related Nonstatutory Stock Option is exercisable and shall expire no later than the date on which the related Nonstatutory Stock Option expires.

(f) The Committee may limit the amount that the Participant will be entitled to receive upon exercise of Stock Appreciation Rights.

(g) Stock Appreciation Rights shall not be transferable except to the extent specifically provided in the Grant Agreement in accordance with applicable securities laws.

(h) Stock Appreciation Rights may be exercised in whole or in part at the times as may be specified by the Committee in the Participant's Grant Agreement; provided that no Stock Appreciation Right may be exercised after the expiration of ten (10) years from the Date of Grant.

(i) A Stock Appreciation Right may only be exercised at a time when the Fair Market Value of the Company Stock covered by the Stock Appreciation Right exceeds the Fair Market Value of the Company Stock on the Date of Grant of the Stock Appreciation Right (or, in the case of a Tandem Right, only to the extent it exceeds the exercise price of the Company Stock covered by the underlying Nonstatutory Stock Option).

(j) The manner in which the Company's obligation arising upon the exercise of a Stock Appreciation Right shall be paid shall be determined by the Committee and shall be set forth in the Grant Agreement. The Grant Agreement may provide for payment in Company Stock or cash, or a fixed combination of Company Stock or cash, or the Committee may reserve the right to determine the manner of payment at the time the Stock Appreciation Right is exercised. Shares of Company Stock issued upon the exercise of a Stock Appreciation Right shall be valued at their Fair Market Value on the date of exercise.

(k) A Participant who acquires shares of Company Stock upon exercise of a Stock Appreciation Right shall have no rights as a shareholder until the Company Stock is issued pursuant to the terms of the Grant Agreement and all requirements with respect to the issuance of such shares have been satisfied.

(l) Stock Appreciation Rights may be exercised by the Participant giving written notice of the exercise to the Company, stating the number of Stock Appreciation Rights the Participant has elected to exercise.

(m) Whenever payments upon exercise of Stock Appreciation Rights are to be made in cash to a Participant who is an Employee, the Employer will withhold therefrom an amount sufficient to satisfy any Applicable Withholding Taxes. Each Participant who is an Employee shall agree as a condition of receiving Stock Appreciation Rights payable in the form of Company Stock to pay to his or her Employer, or make arrangements satisfactory to his or her Employer regarding the payment to the Employer of, Applicable Withholding Taxes. Until the amount has been paid or arrangements satisfactory to the Employer have been made, no stock certificate shall be issued to the Participant. Payment to the Employer in satisfaction of Applicable Withholding Taxes may be in cash. In addition, (i) payment to the Employer in satisfaction of Applicable Withholding Taxes may be made in shares of Company Stock (valued at their Fair Market Value as of the date of payment) to which the Participant has good title, free and clear of all liens and encumbrances; (ii) the Participant may elect to have his or her Employer retain that number of shares of Company Stock (valued at their Fair Market Value as of the date of such retention) that would satisfy all or a specified portion of the Applicable Withholding Taxes; or (iii) unless prohibited by law, the Participant may deliver irrevocable instructions to a broker to deliver promptly to the Employer, from the sale or loan proceeds with respect to the sale of Company Stock or a loan secured by Company Stock, the amount necessary to pay the Applicable Withholding Taxes.

(n) Unless specifically provided in the discretion of the Committee in a writing that references and supersedes this Section 10(n), (i) no Modification shall be made in respect to any Stock Appreciation Right if such Modification would result in the Stock Appreciation Right constituting a deferral of compensation, and (ii) no Extension shall be made in respect to any Stock Appreciation Right if such Extension would result in the Stock Appreciation Right having an additional deferral feature from the Date of Grant, in each case within the meaning of applicable Treasury Regulations under Code section 409A. Subject to the remaining part of this subsection (n), (A) a "Modification" means any change in the terms of the Stock Appreciation Right (or change in the terms of the Plan or applicable Grant Agreement) that may provide the holder of the Stock Appreciation Right with a direct or indirect reduction in the exercise price of the Stock Appreciation Right, regardless of whether the holder in fact benefits from the change in terms; and (B) an "Extension" means any of (1) the provision to the holder of an additional period of time within which to exercise the Stock Appreciation Right beyond the time originally prescribed, (2) the conversion or exchange of the Stock Appreciation Right for a legally binding right to compensation in a future taxable year, (3) the addition of any feature for the deferral of compensation to the terms of the Stock Appreciation Right, or (4) any renewal of the Stock Appreciation Right that has the effect of any of (1) through (3) above. Notwithstanding the preceding sentence, it shall not be a Modification or an Extension, respectively, to change the terms of a Stock Appreciation Right in accordance with Section 16 of the Plan, or in any of the other ways or for any of the other purposes provided in applicable Treasury Regulations or other generally applicable guidance under Code section 409A as not resulting in a Modification or Extension for purposes of that section. In particular, it shall not be an Extension to extend the exercise period of a Stock Appreciation Right to a date no later than the earlier of (x) the latest date upon which the Stock Appreciation Right could have expired by its original terms under any circumstances or (y) the tenth (10th) anniversary of the original Date of Grant.

11. Director Awards.

(a) *General*. The Board may grant Director Awards to Independent Directors in the form of shares of Restricted Stock, Restricted Stock Units, Performance Share Units, Nonstatutory Options or Stock Appreciation Rights as provided in Sections 7 through 10 above, or in the form of Vested Shares or Vested Shares Units as provided in paragraph (b) below. The Board may also grant to Consultants awards in the same forms as Director Awards. Whenever the Board grants shares of Restricted Stock, Restricted Stock Units, Performance Share Units, Nonstatutory Options or Stock Appreciation Rights to an Independent Director, notice shall be given to the Independent Director stating the type of award being made, the number of shares with respect to which the award is granted and the terms and conditions to which the award and (where applicable) the exercise of the award is subject. This notice shall become the Grant Agreement between the Company and the Independent Director and, at that time, the Independent Director shall become a Participant. Restricted Stock, Restricted Stock Units, Performance Share Units, Nonstatutory Options or Stock Appreciation Rights granted to Independent Directors shall otherwise be subject to the terms of the Plan applicable to each type of award as set forth in Sections 7 through 10 above; provided, however, that, notwithstanding anything in Section 7(b) or 8(b) to the contrary, any service or performance period with respect to Restricted Stock, Restricted Stock Units or Performance Share Units granted to Independent Directors or Consultants shall not be less than six (6) consecutive months in length; and provided further, that where context reasonably requires, references throughout Sections 7 through 10 above to the “Committee” shall be read instead as references to the Board wherever the award is to be granted to an Independent Director. The Board shall have all the same rights and powers with respect to the administration of Director Awards as the Committee has with respect to Incentive Awards as provided in Section 16 below (provided that the Board may not delegate its authority with respect to the granting of Director Awards pursuant to Section 16(a)(viii)), and the Board shall be subject to the same limitations with respect to the modification and Repricing of outstanding Director Awards as provided therein.

(b) *Vested Shares and Vested Share Units*. The Board may grant Vested Shares and Vested Shared Units to Independent Directors or Consultants. Vested Shares shall be immediately transferable (subject to compliance with any applicable securities laws), and the Participant receiving an award of Vested Shares shall have all the rights of a shareholder with respect to such shares as of the Date of Grant. Vested Share Units shall represent the vested right to receive shares of Company Stock at the time specified in the Grant Agreement for the Vested Share Units, and the Participant holding Vested Share Units shall be entitled to receive dividend equivalents on the outstanding Vested Share Units.

12. Recoupment of Awards. The Committee may require in any Grant Agreement that any current or former Participant reimburse the Company for all or any portion of any Award, terminate any outstanding, unexercised, unexpired or unpaid Award, rescind any exercise, payment or delivery pursuant to an Award or recapture any Company Stock (whether restricted or unrestricted) or proceeds from the Participant’s sale of Company Stock issued pursuant to an Award to the extent required by any recoupment or clawback policy adopted by the Committee in its discretion or to comply with the requirements of any applicable laws.

13. Continuing Securities Law Compliance. If at any time on or after the Effective Date, the requirements of any applicable federal or state securities laws should fail to be met, no shares of

Company Stock issuable under Non-Option Awards shall be issued and no Options or Stock Appreciation Rights shall be exercisable until the Committee (or, with respect to a Director Award, the Board) has determined that these requirements have again been met. The Committee (or, with respect to a Director Award, the Board) may suspend the right to exercise an Option or Stock Appreciation Right at any time when it determines that allowing the exercise and issuance of Company Stock would violate any federal or state securities or other laws, and may provide that any time periods to exercise the Option or Stock Appreciation Right are extended during a period of suspension.

14. Termination, Modification, Change. If not sooner terminated by the Board, this Plan shall terminate at the close of business on the date that immediately follows the tenth (10th) anniversary of the Effective Date. No new Awards shall be granted under the Plan after its termination. The Board may terminate the Plan at any time and may amend the Plan at any time in any respect as it shall deem advisable; provided that no change shall be made that increases the total number of shares of Company Stock reserved for issuance under the Plan (except pursuant to Section 15), materially modifies the requirements as to eligibility for participation in the Plan, or would otherwise be considered a material revision or amendment under Code section 422 or the listing standards of the principal exchange on which the Company Stock is traded, unless the change is approved by the shareholders of the Company. Notwithstanding the foregoing, the Board may unilaterally amend the Plan and outstanding Awards with respect to Participants as it deems appropriate to ensure compliance with Rule 16b-3 and other applicable federal or state securities laws and to meet the requirements of the Code and applicable regulations or other generally applicable guidance thereunder. Except as provided in the preceding sentence, a termination or amendment of the Plan shall not, without the consent of the Participant, adversely affect a Participant's rights under an Award previously granted to him or her.

15. Change in Capital Structure.

(a) The Committee (or, with respect to a Director Award, the Board) shall proportionately adjust the number and kind of shares of stock or securities of the Company to be subject to the Plan and to Awards then outstanding or to be granted thereunder, the maximum number of shares or securities that may be delivered under the Plan (including the maximum limit on Non-Option Awards or Incentive Stock Options under Section 4), the maximum number of shares or securities that can be granted to an individual Participant under Section 4, the exercise price of Options, the initial Fair Market Value of Company Stock under Stock Appreciation Rights, and other relevant terms of the Plan and any Awards whenever, in the event of a stock dividend, stock split or combination of shares, recapitalization or merger in which the Company is the surviving corporation, or other change in the Company's corporate structure or capital stock (including, but not limited to, the creation or issuance to shareholders generally of rights, options or warrants for the purchase of common stock or preferred stock of the Company), it deems any such adjustment necessary or desirable to preserve the intended benefits of the Plan and any outstanding Awards for the Company and the Participants. The Committee's (or, with respect to a Director Award, the Board's) determination in this regard shall be binding on all persons. If the adjustment would produce fractional shares with respect to any unexercised Option or Stock Appreciation Right or fractional cents with respect to the exercise price thereof, the Committee (or, with respect to a Director Award, the Board) shall round down the number of shares covered by the Option or Stock Appreciation Right to the nearest whole share and round up the exercise price to the nearest whole cent.

(b) In the event of a Change of Control as described in Sections 2(g)(i), (ii) or (iv), or if the Company is otherwise a party to a consolidation or a merger in which the Company is not the surviving corporation, a transaction that results in the acquisition of substantially all of the Company's outstanding stock by a single person or entity, or a sale or transfer of substantially all of the Company's assets occurs (in any such case, a "Corporate Event"), then the

Committee (or, with respect to a Director Award, the Board) may take any actions with respect to outstanding Awards as it deems appropriate, consistent with applicable provisions of the Code and any applicable federal or state securities laws.

(c) Notwithstanding anything in the Plan to the contrary, the Committee (or, with respect to a Director Award, the Board) may take the foregoing actions without the consent of any Participant, and its determination shall be conclusive and binding on all persons and for all purposes.

16. Administration of the Plan.

(a) The Plan shall be administered by the Committee. Subject to the express provisions and limitations set forth in this Plan or the Committee's charter or as otherwise established by the Board, the Committee shall be authorized and empowered to do all things necessary or desirable, in its sole discretion, in connection with the administration of this Plan, including, without limitation, the following:

(i) to prescribe, amend and rescind policies relating to this Plan, and to interpret the Plan, including defining terms not otherwise defined;

(ii) to determine which persons are eligible Service Providers, to which of the Service Providers, if any, Incentive Awards shall be granted hereunder and the timing of any Incentive Awards;

(iii) to grant Incentive Awards to Service Providers and determine the terms and conditions thereof, including the number of shares of Company Stock subject to Incentive Awards and the exercise or purchase price of the shares of Company Stock and the circumstances under which Incentive Awards become exercisable or vested or are forfeited or expire, which terms may but need not be conditioned upon the passage of time, continued employment, the satisfaction of performance conditions (including Performance Goals), the occurrence of certain events, or other factors;

(iv) to establish or verify the extent of satisfaction of any Performance Goals or other conditions applicable to the grant, issuance, exercisability, vesting and/or ability to retain any Incentive Award;

(v) to prescribe and amend the terms of the Grant Agreements or other documents evidencing Incentive Awards made under this Plan (which need not be identical);

(vi) to determine whether, and the extent to which, adjustments are required pursuant to Section 15;

(vii) to interpret and construe this Plan, any policies under this Plan and the terms and conditions of any Incentive Award granted hereunder, and to make exceptions to any provisions for the benefit of the Company;

(viii) to delegate, to the extent permitted by the New York Business Corporation Law and the Company's Certificate of Incorporation and Bylaws, any portion of its authority under the Plan to make Incentive Awards to an executive officer of the Company, subject to any conditions that the Committee may establish (including but not limited to conditions on such officer's ability to make awards to "executive officers" within the meaning of Section 16 of the Act); and

(ix) to make all other determinations deemed necessary or advisable for the administration of this Plan.

The Committee may amend the terms of previously granted Incentive Awards so long as the terms as amended are consistent with the terms of the Plan and provided that the consent of the Participant is obtained with respect to any amendment that would be detrimental to him or her, except that such consent will not be required if the amendment is for the purpose of complying with applicable provisions of the Code or any federal or state securities laws.

The Committee is prohibited from Repricing any Option or Stock Appreciation Right without the prior approval of the shareholders of the Company with respect to the proposed Repricing.

(b) The interpretation and construction of any provision of the Plan by the Committee shall be final and conclusive as to any Participant. The Committee may consult with counsel, who may be counsel to the Company, and shall not incur any liability for any action taken in good faith in reliance upon the advice of counsel.

(c) A majority of the members of the Committee shall constitute a quorum, and all actions of the Committee shall be taken by a majority of the members present. Any action may be taken by the Committee in writing or by electronic transmission or transmissions as permitted by the Bylaws of the Company, and any action so taken shall be fully effective as if it had been taken at a meeting.

(d) The Committee may delegate the administration of the Plan to an officer or officers of the Company, and such officer(s) may have the authority to execute and distribute agreements or other documents evidencing or relating to Incentive Awards granted by the Committee under this Plan, to maintain records relating to the grant, vesting, exercise, forfeiture or expiration of Incentive Awards, to process or oversee the issuance of shares of Company Stock upon the exercise, vesting and/or settlement of an Incentive Award, to interpret the terms of Incentive Awards and to take any other actions as the Committee may specify, provided that in no case shall any such officer(s) be authorized to grant Incentive Awards under the Plan, except in accordance with Section 16(a)(viii) above. Any action by an administrator within the scope of its delegation consistent with this paragraph (d) shall be deemed for all purposes to have been taken by the Committee, and references in this Plan to the Committee shall include any such officer(s), provided that the actions and interpretations of any such officer(s) shall be subject to review and approval, disapproval or modification by the Committee.

17. Notice. All notices and other communications required or permitted to be given under the Plan shall be in writing and shall be deemed to have been duly given if delivered personally or mailed first class, postage prepaid, as follows (a) if to the Company—at the principal business address of the Company to the attention of the Corporate Secretary of the Company; and (b) if to any Participant—at the last address of the Participant on file with (or in the business records of) the Company or as otherwise known to the sender at the time the notice or other communication is sent.

18. No Effect on Other Plans. Nothing contained in the Plan will be deemed in any way to limit or restrict the Company or any Related Company from making any award or payment to any person under any other plan, arrangement or understanding, whether now existing or hereafter in effect.

19. Interpretation. The Plan is intended to operate in compliance with the provisions of Rule 16b-3. The terms of the Plan are subject to all present and future regulations and rulings of the Secretary of the Treasury of the United States or his or her delegate relating to the qualification of Incentive Stock Options under the Code. The Plan and the individual Awards under the Plan are intended to comply with any applicable requirements of Code section 409A and shall be interpreted in accordance with such requirements. If any provision of the Plan conflicts with any such regulation or ruling, then that provision of the Plan shall be void and of no effect. The terms of the Plan shall be governed by the laws of the State of North Carolina.

20. Effective Date of the Plan; Limited Effect of Restatement. The Plan shall become effective as of October 24, 2018 subject to approval by the shareholders of the Company. Until (a) the Plan has been approved by the Company's shareholders, and (b) the requirements of any applicable federal or state securities laws have been met, no shares of Company Stock issuable under Non-Option Awards shall be issued and no Options or Stock Appreciation Rights shall be exercisable that, in either case, are not contingent on the occurrence of both such events. This instrument amends and restates the Plan effective as of the Effective Date. Nothing in this instrument shall in any way change, alter or affect the terms of any award made under the Plan prior to the Effective Date of this amendment and restatement or the amount of any Plan benefit or payment due with respect to awards made under the Plan prior to such date.

IN WITNESS WHEREOF, the Company hereby adopts the Plan as of the Effective Date.

UNIFI, INC.

By: /s/ JOHN D. VEGAS

Name: John D. Vegas

Title: Executive Vice President & Global Chief Human Resources Officer

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

FORM 10-K

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

For the fiscal year ended June 24, 2018

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: 1-10542

UNIFI, INC.
(Exact name of registrant as specified in its charter)

New York	**11-2165495**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7201 West Friendly Avenue
Greensboro, North Carolina 27410
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (336) 294-4410

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.10 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of December 22, 2017, the aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant was approximately $551,124,384. The registrant has no non-voting stock.

As of August 16, 2018, the number of shares of the registrant's common stock outstanding was 18,373,375.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the registrant's 2018 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K to the extent described herein.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that relate to our plans, objectives, estimates and goals. Statements expressing expectations regarding our future, or projections or estimates relating to products, sales, revenues, expenditures, costs, strategies, initiatives or earnings, are typical of such statements and are made under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management's beliefs, assumptions and expectations about our future performance, considering the information currently available to management. The words "believe," "may," "could," "will," "should," "would," "anticipate," "plan," "estimate," "project," "expect," "intend," "seek," "strive" and words of similar import, or the negative of such words, identify or signal the presence of forward-looking statements. These statements are not statements of historical fact; they involve risks and uncertainties that may cause our actual results, performance or financial condition to differ materially from the expectations of future results, performance or financial condition that we express or imply in any forward-looking statement. Factors that could contribute to such differences include, but are not limited to:

- the competitive nature of the textile industry and the impact of global competition;
- changes in the trade regulatory environment and governmental policies and legislation;
- the availability, sourcing and pricing of raw materials;
- general domestic and international economic and industry conditions in markets where the Company competes, including economic and political factors over which the Company has no control;
- changes in consumer spending, customer preferences, fashion trends and end uses for products;
- the financial condition of the Company's customers;
- the loss of a significant customer or brand partner;
- natural disasters, industrial accidents, power or water shortages, extreme weather conditions and other disruptions at one of our facilities;
- the success of the Company's strategic business initiatives;
- the volatility of financial and credit markets;
- the ability to service indebtedness and fund capital expenditures and strategic initiatives;
- the availability of and access to credit on reasonable terms;
- changes in foreign currency exchange, interest and inflation rates;
- fluctuations in production costs;
- the ability to protect intellectual property;
- the strength and reputation of our brands;
- employee relations;
- the ability to attract, retain and motivate key employees;
- the impact of environmental, health and safety regulations;
- the operating performance of joint ventures and other equity investments;
- the accurate financial reporting of information from equity method investees; and
- other factors discussed below in "Item 1A. Risk Factors" or the Company's other periodic reports and information filed with the Securities and Exchange Commission.

All such factors are difficult to predict, contain uncertainties that may materially affect actual results and may be beyond our control. New factors emerge from time to time, and it is not possible for management to predict all such factors or to assess the impact of each such factor on the Company. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, except as may be required by federal securities law.

In light of all the above considerations, we reiterate that forward-looking statements are not guarantees of future performance, and we caution you not to rely on them as such.

UNIFI, INC.

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 24, 2018

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Fiscal Year

The fiscal year for Unifi, Inc. and its subsidiary in El Salvador ends on the last Sunday in June. Unifi, Inc.'s fiscal 2018, 2017 and 2016 ended on June 24, 2018, June 25, 2017 and June 26, 2016, respectively. Unifi, Inc.'s Brazilian, Chinese, Colombian and Sri Lankan subsidiaries' fiscal years end on June 30th. There were no significant transactions or events that occurred between Unifi, Inc.'s fiscal year end and such wholly owned subsidiaries' subsequent fiscal year ends. Unifi, Inc.'s fiscal 2018, 2017 and 2016 each consisted of 52 fiscal weeks.

Presentation

All dollar amounts, except per share amounts, are presented in thousands (000s), unless otherwise noted.

PART I

Item 1. Business

Unifi, Inc., a New York corporation formed in 1969 (together with its subsidiaries, "UNIFI," the "Company," "we," "us" or "our"), is a multi-national company that manufactures and sells innovative synthetic and recycled products made from polyester and nylon primarily to other yarn manufacturers and knitters and weavers (UNIFI's direct customers) that produce yarn and/or fabric for the apparel, hosiery, home furnishings, automotive, industrial and other end-use markets (UNIFI's indirect customers). We refer to these indirect customers as "brand partners." Polyester yarns include partially oriented yarn ("POY"), textured, solution and package dyed, twisted, beamed and draw wound yarns, and each is available in virgin or recycled varieties. Recycled solutions, made from both pre-consumer and post-consumer waste, include plastic bottle flake ("Flake") and polyester polymer beads ("Chip"). Nylon yarns include virgin or recycled textured, solution dyed and spandex covered yarns.

UNIFI maintains one of the textile industry's most comprehensive product offerings that include a range of specialized, premium value-added ("PVA") and commodity solutions, with principal geographic markets in the Americas and Asia.

UNIFI has direct manufacturing operations in four countries and participates in joint ventures in Israel and the United States, the most significant of which is a 34% non-controlling partnership interest in Parkdale America, LLC ("PAL"), a significant unconsolidated affiliate that produces cotton and synthetic yarns for sale to the global textile industry and apparel market. We believe the investment in PAL provides strategic diversification for UNIFI's overall business in response to global textile trends. PAL is a limited liability company treated as a partnership for income tax reporting purposes.

UNIFI has three reportable segments:

- The Polyester Segment primarily sells polyester-based products to other yarn manufacturers and knitters and weavers that produce yarn and/or fabric for the apparel, hosiery, home furnishings, automotive, industrial and other end-use markets. The Polyester Segment consists of sales and manufacturing operations in the United States and El Salvador.
- The Nylon Segment primarily sells nylon-based products to knitters and weavers that produce fabric for the apparel and hosiery markets. The Nylon Segment consists of sales and manufacturing operations in the United States and Colombia.
- The International Segment primarily sells polyester-based products to knitters and weavers that produce fabric for the apparel, home furnishings, automotive, industrial and other end-use markets principally in South America and Asia. The International Segment includes a manufacturing location in Brazil and sales offices in Brazil, China and Sri Lanka.

Other information for UNIFI's reportable segments is provided in Note 25, "Business Segment Information," to the accompanying consolidated financial statements. In addition to UNIFI's reportable segments, UNIFI conducts certain ancillary operations that include for-hire transportation services, which comprise an All Other category. The ancillary operations classified within All Other are immaterial to UNIFI's consolidated financial statements.

Operating and Strategic Overview

UNIFI reported net income of $31,702, or $1.70 per diluted share, for fiscal 2018. Such results reflect the benefits of (i) growth in sales of PVA products, especially in the International Segment and (ii) an effective tax rate lower than recent prior years, partially offset by (a) an increasing raw materials cost environment coupled with a challenging domestic landscape in which achieving corresponding selling price adjustments was increasingly difficult against cost-competitive imports and (b) increased selling, general and administrative ("SG&A") expenses for talent acquisition, marketing and commercial expansion. The International Segment continued strong performance, and growth was due to the global success of UNIFI's PVA portfolio. UNIFI's effective tax rate was relatively low compared to historical levels, due primarily to the reversal of both a significant uncertain tax position and a valuation allowance on certain historical net operating losses ("NOLs"). The Polyester Segment was adversely impacted by increases in the costs of raw materials along with pricing and demand challenges in North and Central America, and global trends for nylon products continued to pressure the results of the Nylon Segment.

We believe UNIFI's successful performance during recent fiscal years reflects the strength of our global initiative to deliver PVA solutions to customers and brand partners throughout the world. Our supply chain has been developed and enhanced in multiple regions of the globe, allowing us to deliver a diverse range of synthetic fibers and polymers to key customers in the markets we serve, especially apparel. These polyester and nylon products are supported by quality assurance, product development and other customer service teams across UNIFI's operating subsidiaries. We have developed this successful operating platform by: improving operational and business processes; enriching the product mix by growing sales of higher-margin PVA products; and deriving value from sustainability-based initiatives, including polyester and nylon recycling.

This platform has provided growth in our core operations during recent fiscal years, and has been augmented by significant capital investments that support the production and delivery of sustainable and innovative solutions. In order to achieve further growth, UNIFI is committed to investing strategically and synergistically in:

1. Technology, innovation and sustainability;
2. High-quality brand and supplier partnerships; and
3. Supply chain expansion and optimization.

We believe that further commercial expansion will require a continued stream of new technology and innovation that generates products with consumer-meaningful benefits. Along with REPREVE®, the Company has significant yarn technologies that provide optimal performance characteristics for today's marketplace, including moisture management, temperature moderation, and fire retardation. To achieve further growth, UNIFI plans to invest in leading-edge technology and innovation, bringing to market the next wave of fibers and polymers for tomorrow's applications. As we invest and grow, sustainability remains at our core. We believe that increasing the awareness for recycled solutions in applications across fibers and polymers, particularly with PVA solutions, and furthering sustainability-based initiatives with like-minded brand partners will be key to our future success. Growth will also require high-quality partnerships. With a changing retail landscape and a dynamic consumer, brands are demanding fast fashion and localized supply chains. In order to capitalize on these shifts, we expect to identify and enter into partnerships and commercial relationships that expand our global footprint in strategic regions. As the Americas and Asia remain significant components of the global supply chain, UNIFI will be diligent in exploring partnerships that advance our existing growth platform in these regions.

Executing on these initiatives is expected to drive expansion in gross margin and should lead to an increase in revenue and profitability.

Further discussion of the significant components of UNIFI's recent success and its capital allocation strategies is included in this Annual Report on Form 10-K (this "Annual Report").

PVA Products and REPREVE®

UNIFI remains committed to growing the business for its PVA products and believes its research and development work with brands and retailers continues to create new, worldwide sales opportunities. UNIFI's goal is to increase its global PVA sales by more than 10% per year and generate overall mix enrichment and margin gains. UNIFI's PVA products represented approximately 45% of consolidated net sales in fiscal 2018, delivering anticipated growth over fiscal 2017's achievement of 40%. The Company's strategy of enhancing its product mix through a focus on PVA products has helped establish UNIFI as an innovation leader in its core markets and provides some insulation from the pressures of low-priced commodity yarn imports.

REPREVE® is our flagship brand in UNIFI's PVA portfolio and is our fastest growing brand. As part of our efforts to expand consumer brand recognition of REPREVE®, UNIFI has developed recycling-focused sponsorships with various brand partners and other entities that span across sporting, music and outdoor events. The increasing success and awareness of the REPREVE® brand continues to provide new opportunities for growth, allowing us to expand into new end uses and markets for REPREVE®, as well as continuing to grow the brand with current customers. This has driven traction with global brands and retailers who obtain value and lasting consumer interest from the innovation and sustainability aspects that REPREVE® provides.

PVA Expansion and Capital Investments

Beginning in fiscal 2015, UNIFI began a significant, three-year capital investment plan to increase its PVA capabilities and capacity, expand its technological foundation and customize its asset base to improve its ability to deliver small-lot and high-value solutions. These investments were primarily for the Polyester Segment.

Most notably, UNIFI has made significant investments in the production and supply chain for REPREVE®, including backward integration with a bottle processing plant and additional production lines in the REPREVE® Recycling Center. Further, UNIFI (i) installed bi-component spinning machinery to produce specialized high-value yarns and (ii) made machinery modifications to meet the ever-changing demands of the market, in support of the PVA product portfolio, all while (iii) investing in routine capital maintenance to ensure high-quality manufacturing.

Specific to fiscal 2018, we invested approximately $25,000 in capital projects, which included (i) completing the fourth production line in the REPREVE® Recycling Center, (ii) making further improvements in production capabilities and technology enhancements in the Americas and (iii) annual maintenance capital expenditures.

In fiscal 2019, UNIFI expects to invest an additional $25,000 in capital projects, which will include (i) making further improvements in production capabilities and technology enhancements in the Americas and (ii) annual maintenance capital expenditures.

UNIFI intends to ensure maintenance capital expenditures are sufficient to allow for continued high-efficiency production. The recent investments and routine maintenance continue to support REPREVE® by ensuring a stream of high-quality raw materials and finished goods. This, combined with further investments in technology, innovation and sustainability, will enhance our ability to continue to grow REPREVE® and other PVA solutions in existing and additional markets.

Stock Repurchases

In addition to capital investments and debt retirement, UNIFI may utilize excess cash for strategic stock repurchases. On April 23, 2014, UNIFI announced that its Board of Directors (the "Board") had approved a stock repurchase program (the "SRP") under which UNIFI is authorized to acquire up to $50,000 of its common stock. The SRP has no stated expiration or termination date, and there is no time limit or specific time frame otherwise for repurchases. As of June 24, 2018, UNIFI had repurchased a total of 806 shares, at an average price of $27.79 (for a total of $22,409, inclusive of commission costs) pursuant to the SRP, and $27,603 remained available for repurchases. UNIFI will continue to evaluate opportunities to use excess cash flow from operations or existing borrowings to repurchase additional stock, while maintaining sufficient liquidity to support its operational needs and fund future strategic growth opportunities.

Developments in Principal Markets

Leading up to fiscal 2017, apparel production experienced multi-year growth in the regions covered by the North American Free Trade Agreement ("NAFTA") and the Dominican Republic—Central America Free Trade Agreement ("CAFTA-DR"), which comprise the principal markets for UNIFI's Polyester and Nylon Segments. The share of synthetic apparel production for these regions as a percentage of U.S. retail stabilized at approximately 18%, while retail consumption grew. The CAFTA-DR region, which continues to be a competitive alternative to Asian supply chains for textile products, maintained its share of synthetic apparel supply to U.S. retailers. The relative share of synthetic apparel versus cotton apparel as a proportion of the overall apparel market increased and provided growth for the consumption of synthetic yarns within the CAFTA-DR region.

In fiscal 2017 and 2018, UNIFI's operations in the NAFTA and CAFTA-DR regions experienced fluctuations in demand as the retail and apparel markets experienced difficult conditions characterized by reduced retail traffic, a weak winter selling season and growth in online sales channels. During calendar 2016 and 2017, these factors combined to cause bankruptcies, store closures and other transformations for traditional retail enterprises. Fiscal 2018 was further adversely impacted by retailers and brand partners seeking more cost competitive textile supplies in response to rising and higher raw material costs. As consumers demand fast fashion, personalized experiences and omni-channel outlets, the retail market and its supply chain is expected to change. Transformational requirements for the supply chain are not yet clear but will be an integral part of UNIFI's initiatives going forward.

UNIFI's Brazilian operations play a key role in our global strategy. This subsidiary is primarily impacted by price pressures from imported fiber, fabric and finished goods, the inflation rate in Brazil and changes in the value of the Brazilian Real ("BRL"). Competition and economic and political volatility remain challenging conditions in South America, but UNIFI continues to (i) aggressively pursue mix enrichment by working with customers to develop programs using our differentiated products and PVA yarns and (ii) implement process improvements and manufacturing efficiency gains to help lower per-unit costs.

UNIFI's Asian operations remain an important part of our global strategy, enhancing our ability to service customers with global supply chains. Competition in the Asian region remains high; however, interest and demand for UNIFI's PVA products in Asia have helped support strong sales volumes in recent years. We are encouraged by programs undertaken with key brands and retailers that benefit from the diversification and innovation of our global PVA solutions.

UNIFI's operations in Brazil and Asia have been critical to global growth and expansion of PVA products. Looking ahead, we expect expansion into additional markets in Europe, Africa and the Middle East utilizing the supply chain and service model that has been successful for us in Asia.

As we expand our global operations, we will continue to evaluate the level of capital investment required to support the needs of our customers and intend to appropriately allocate our resources accordingly.

Industry Overview

UNIFI operates in the textile industry and, within that broad category, the respective markets for yarns, fabrics, fibers and end-use products, such as apparel and hosiery, automotive, industrial products and home furnishings. Even though the textile industry is global, there are several distinctive regional or other geographic markets that often shape the business strategies and operations of participants in the industry. Because of free trade agreements and other trade regulations entered into by the U.S. government, the U.S. textile industry, which is otherwise a distinctive geographic market on its own, is often considered in conjunction with other geographic markets or regions in North, South and Central America, such as the regions covered by NAFTA and CAFTA-DR. The Company's principal markets for its domestic operations are in the regions covered by NAFTA and CAFTA-DR, which together include the countries of Canada, Mexico, Costa Rica, Guatemala, Honduras, El Salvador, Nicaragua, the Dominican Republic and the United States.

According to data compiled by PCI WoodMackenzie, a global leader in research and analysis for the polyester and raw materials markets, global demand for polyester yarns, which includes both filament and staple yarns, has grown steadily since 1980, and, in calendar year 2003, polyester replaced cotton as the fiber with the largest percentage of worldwide sales. In calendar year 2017, global polyester consumption accounted for an estimated 55% of global fiber consumption, and global demand is projected to increase by approximately 3% to 4% annually through 2020. In calendar year 2017, global nylon consumption accounted for an estimated 5% of global fiber consumption. However, the continued decline in the U.S. nylon market during fiscal 2018 had an unfavorable impact on UNIFI's Nylon Segment. Additionally, due to the higher cost of nylon, the industry may transition certain products from nylon to polyester. The polyester and nylon fiber sectors together accounted for approximately 62% of North American textile consumption during calendar year 2017.

According to the National Council of Textile Organizations, the U.S. textile industry's total shipments were approximately $65.4 billion for calendar year 2017 as the U.S. textile and apparel industry exported nearly $28.6 billion of textile and apparel products, and the exports have grown by approximately 42% since 2009, an increase of over $9.7 billion. The U.S. textile industry remains a large manufacturing employer.

Trade Regulation and Rules of Origin

The duty rate on imports into the United States of finished apparel categories that utilize polyester and nylon yarns generally range from 16% to 32%. For many years, imports of fabric and finished goods into the United States have increased significantly from countries that do not participate in free trade agreements or trade preference programs, despite duties charged on those imports. The primary drivers for that growth were lower overseas operating costs, foreign government subsidization of textile industries, increased overseas sourcing by U.S. retailers, the entry of China into the World Trade Organization and the staged elimination of all textile and apparel quotas. Although global apparel imports represent a significant percentage of the U.S. market, Regional FTAs (as defined below), which follow general "yarn forward" rules of origin, provide duty free advantages for apparel made from regional fibers, yarns and fabrics, allowing UNIFI opportunities to participate in this growing market.

A significant number of UNIFI's customers in the apparel market produce finished goods that meet the eligibility requirements for duty-free treatment in the regions covered by NAFTA, CAFTA-DR, and the Colombia and Peru free trade agreements (collectively, the "Regional FTAs"). These Regional FTAs contain rules of origin requirements in order for covered products to be eligible for duty-free treatment. In the case of textiles such as fabric, yarn (such as POY), fibers (filament and staple) and certain garments made from them, the products are generally required to be fully formed within the respective regions. UNIFI is the largest filament yarn manufacturer, and one of the few producers of qualifying synthetic yarns, in the regions covered by these Regional FTAs.

The renegotiation of NAFTA has been a high priority for the Trump administration over the past 18 months. The United States has a positive trade balance in the textile and apparel sector in NAFTA and the Company anticipates any modifications or updates to the agreement in this sector will not significantly impact textile and apparel trade in the NAFTA region. Efforts to conclude the renegotiations this year appear to have been stalled by the political complications surrounding the Mexican presidential election and the U.S. mid-term elections this fall.

U.S. legislation commonly referred to as the "Berry Amendment" stipulates that certain textile and apparel articles purchased by the U.S. Department of Defense must be manufactured in the United States and must consist of yarns and fibers produced in the United States. UNIFI is the largest producer of synthetic yarns for Berry Amendment compliant purchasing programs.

UNIFI refers to fibers sold with specific rules of origin requirements under the Regional FTAs and the Berry Amendment, as "Compliant Yarns." Approximately two-thirds of UNIFI's sales within the Polyester and Nylon Segments are sold as Compliant Yarns under the terms of the Regional FTAs or the Berry Amendment.

UNIFI believes the requirements of the rules of origin and the associated duty-free cost advantages in the Regional FTAs, together with the Berry Amendment and the growing demand for supplier responsiveness and improved inventory turns, will ensure that a portion of the existing textile industry will remain based in the Americas. UNIFI expects that the NAFTA and CAFTA-DR regions will continue to maintain their share of apparel production as a percentage of U.S. retail. UNIFI believes the remaining synthetic apparel production within these regional markets is more specialized and defensible, and, in some cases, apparel producers are bringing programs back to the regions as part of a balanced sourcing strategy for some brands and retailers. Because UNIFI is the largest of only a few significant producers of Compliant Yarns under these Regional FTAs, one of UNIFI's business strategies is to continue to leverage its eligibility status for duty-free processing to increase its share of business with regional and domestic fabric producers who ship their products into these regions.

Over the longer term, the textile industry in the NAFTA and CAFTA-DR regions is expected to continue to be impacted by Asian supply chains where costs are much lower and regulation is limited.

Competition

The industry in which UNIFI operates is global and highly competitive. UNIFI competes not only as a global yarn producer, but also as part of a regional supply chain for certain textile products. For sales of Compliant Yarns, UNIFI competes with a limited number of foreign and domestic producers of polyester and nylon yarns. For sales of non-Compliant Yarns, UNIFI competes with a larger number of foreign and domestic producers of polyester and nylon yarns who can meet the required customer specifications of quality, reliability and timeliness. UNIFI is affected by imported textile, apparel and hosiery products, which adversely impact demand for UNIFI's polyester and nylon products in certain of its markets. Several foreign competitors in UNIFI's supply chain have significant competitive advantages, including lower wages, raw material costs and capital costs, and favorable foreign currency exchange rates against the U.S. Dollar ("USD"), any of which could make UNIFI's products, or the related supply chains, less competitive. While competitors have traditionally focused on high-volume commodity products, they are now increasingly focused on specialty and PVA products that UNIFI historically has been able to leverage to generate higher margins.

UNIFI's major competitors for polyester yarns are O'Mara, Inc. and NanYa Plastics Corp. of America ("NanYa") in the United States; AKRA, S.A. de C.V. in the NAFTA region; and C S Central America S.A. de C.V. in the CAFTA-DR region. UNIFI's major competitor in Brazil is Avanti Industria Comercio Importacao e Exportacao Ltda., among other traders of imported yarns and fibers. UNIFI's operations in Asia face competition from multiple yarn manufacturers in that region and identification of them is not feasible. However, almost all of our portfolio in that region is advantaged by PVA products.

UNIFI's major competitors for nylon yarns are Sapona Manufacturing Company, Inc. and McMichael Mills, Inc. in the United States.

Raw Materials, Suppliers and Sourcing

The primary raw material supplier for the Polyester Segment of Chip and POY is NanYa. For the International Segment, Reliance Industries, Ltd. is the main supplier of POY. The primary suppliers of POY for the Nylon Segment are HN Fibers, Ltd., U.N.F. Industries Ltd. ("UNF"), UNF America, LLC ("UNFA"), Invista S.a.r.l. ("INVISTA"), Universal Premier Fibers, LLC and Nilit America, Inc. ("Nilit"). Each of UNF and UNFA is a 50/50 joint venture between UNIFI and Nilit. Currently, there are multiple domestic and foreign suppliers available to fulfill UNIFI's sourcing requirements for its recycled products.

For its operations in the United States, UNIFI produces and buys certain of its raw material fibers for Compliant Yarns from a variety of sources in both the United States and Israel, and UNIFI produces a portion of its Chip requirements in its REPREVE® Recycling Center and purchases the remainder of such requirements from external suppliers for use in its domestic spinning facility to produce POY. In addition, UNIFI purchases nylon and polyester products for resale from various suppliers. Although UNIFI does not generally have difficulty obtaining its raw material requirements, UNIFI has, in the past, experienced interruptions or limitations in the supply of certain raw materials.

The bottle processing facility in Reidsville, North Carolina provides a high-quality source of Flake for the REPREVE® Recycling Center as well as for sale to external parties. Combined with recent technology advancements in recycling, we believe the Flake produced at the bottle processing facility will enhance our ability to grow REPREVE® into other markets, such as nonwovens, carpet fiber and packaging. However, in fiscal 2018, UNIFI experienced an unexpected increase in operating expenses and plastic bottle costs for its bottle processing operations. Additionally, the market dynamics surrounding plastic bottles and Flake became less predictable as new, external plastic bottle recycling capacity was increasing at the same time that UNIFI was increasing its production of Flake.

The prices of the principal raw materials used by UNIFI continuously fluctuate, and it is difficult, and often impossible, to predict trends or upcoming developments. In addition, during fiscal 2017 and 2018, UNIFI operated during a predominantly increasing virgin polyester raw material cost environment. During fiscal 2016, UNIFI experienced a general decline in raw material prices. UNIFI believes that polyester raw material cost fluctuations during most of fiscal 2017 and 2018 were a result of volatility in the crude oil markets. The continuing volatility in global crude oil prices is likely to impact UNIFI's polyester and nylon raw material costs, but it is not possible to predict the timing or amount of the impact or whether the movement in crude oil prices will stabilize, continue or reverse. In any event, UNIFI monitors these dynamic factors closely.

Products, Technologies and Related Markets

UNIFI manufactures and sells polyester yarns and related products in the United States, El Salvador and Brazil, and nylon yarns in the United States and Colombia, for a wide range of end uses. In Asia, UNIFI manages a network of vendors and suppliers to contract manufacture PVA solutions, including our added fiber technologies and REPREVE®, to direct and indirect customers around the globe.

Our products sold across all geographies range from specialty, PVA and commodity. UNIFI's most strategic portfolio, PVA products, comprised approximately 45%, 40% and 35% of consolidated net sales for fiscal 2018, 2017 and 2016, respectively. We provide products to a variety of end-use markets, principally apparel, industrial, furnishings and automotive.

The domestic apparel market, which includes hosiery, represents approximately 60% of UNIFI's domestic sales. Apparel retail sales, supply chain inventory levels and strength of the regional supply base are vital to this market.

The domestic industrial market represents approximately 17% of UNIFI's domestic sales. This market includes medical, belting, tapes, filtration, ropes, protective fabrics and awnings.

The domestic furnishings market, which includes both contract and home furnishings, represents approximately 8% of UNIFI's domestic sales. Furnishings sales are largely dependent upon the housing market, which in turn is influenced by consumer confidence and credit availability.

The domestic automotive market represents approximately 8% of UNIFI's domestic sales and has been less susceptible to import penetration because of the exacting specifications and quality requirements often imposed on manufacturers of automotive fabrics, along with just-in-time delivery requirements. Effective customer service and prompt response to customer feedback are logistically more difficult for an importer to provide.

UNIFI also adds value to the overall supply chain for textile products, and increases consumer demand for UNIFI's own products, through the development and introduction of branded yarns and technologies that provide unique sustainability, performance, comfort and aesthetic advantages. UNIFI's branded portion of its yarn portfolio continues to provide product differentiation to brand partners, mills and consumers, and is based on two core platforms, REPREVE® and PROFIBER™:

REPREVE® is a family of sustainable products made from recycled materials, including plastic bottles. Since its introduction in 2006, REPREVE® has become the global leader in branded recycled fibers. REPREVE® recycled fibers may also be customized to provide leading performance and/or aesthetic properties, enabling a differentiated consumer experience. Examples of our branded technologies include:

- TruClean™ and TruDry™ (formerly known as "Sorbtek®"), a permanent moisture management yarn primarily used in performance base-layer applications, performance apparel, athletic wear, socks and other non-apparel related items.
- TruTemp™ (formerly known as "Sorbtek® 365"), a permanent thermal regulation and moisture management yarn primarily used in performance bottom-weight applications, helping to provide year-round comfort.
- TruFlexx™ (formerly known as "Reflexx®"), a family of stretch yarns that can be found in a wide array of end-use applications, from home furnishings to performance wear and from hosiery and socks to work wear and denim.
- TruBounce™ (formerly known as "XS"), yarns that take advantage of a non-traditional cross-section construction created during the spinning process. The cross section is able to provide certain performance and/or functional characteristics in multiple end uses due to its resulting chemical and physical attributes.
- TruTouch™ (formerly known as "Cotton-like®"), a soft, lofty yarn that looks and feels like cotton, but offers the superior performance of synthetic fibers and no fading.
- TruFresh™ (formerly known as "A.M.Y.®"), a yarn with permanent antimicrobial properties for odor control.

PROFIBER™ is a family of virgin material-based performance yarn products that are similarly customizable with a broad selection of industry leading technologies designed to deliver an array of consumer benefits.

UNIFI's branded yarns can be found in a variety of products of well-known brands, retailers and department stores, including Ford, Haggar, Polartec, Under Armour, The North Face, Patagonia, Quiksilver, Roxy, General Motors, Volcom, Pottery Barn, Lane Bryant, adidas, Nike, New Era Hat, MJ Soffe, Abercrombie & Fitch, Levi's, H&M, TARGET, Express, PACSUN, PVH, Costco Wholesale, REI, Cabela's, JCPenney, Macy's, Kohl's and Belk.

In addition to the above brands and products, UNIFI combines its research and development efforts with the demands of customers and markets to develop innovative technologies that enhance yarn characteristics. Application of these technologies allows for various, separate benefits, including, among other things, water repellency, flame retardation, soil release, enhanced color-fastness achieved with less water use and protection from ultra-violet rays.

Customers

UNIFI's Polyester Segment has approximately 350 customers, its Nylon Segment has approximately 130 customers and its International Segment has approximately 800 customers, all in a variety of geographic markets. UNIFI's products are manufactured according to customer specifications and are shipped based upon customer order requirements. Customer payment terms are generally consistent with prevailing industry practices for the geographies in which we participate.

UNIFI's consolidated net sales are not materially dependent on a single direct customer and no single direct customer accounts for 10% or more of UNIFI's consolidated net sales. UNIFI's top 10 direct customers accounted for approximately 29% of consolidated net sales for fiscal 2018 and approximately 33% of receivables as of June 24, 2018. However, UNIFI's consolidated net sales are dependent on demand from a relatively small number of brand partners. UNIFI's net sales within its Nylon Segment are materially dependent upon a domestic customer that accounted for approximately 32% of the Nylon Segment's net sales for fiscal 2018.

Sales and Marketing

UNIFI employs an internal sales force of approximately 50 persons operating out of sales offices in the United States, Brazil, China, Sri Lanka, El Salvador and Colombia. UNIFI relies on independent sales agents for sales in several other countries. UNIFI seeks to create strong customer relationships and to build and strengthen those relationships throughout the supply chain. Through having frequent communications with customers, partnering in product development and engaging key downstream brands and retailers, UNIFI has created significant pull-through sales and brand recognition for its products. For example, UNIFI works with brands and retailers to educate and create demand for its PVA products, such as recent engagements involving REPREVE® at multiple events and venues in the United States. UNIFI then works with key fabric mill partners to develop specific fabrics for those brands and retailers utilizing its PVA products. In many of these regards, UNIFI draws upon and integrates the resources of its research and development personnel. In addition, UNIFI is enhancing co-branding activations with integrated point-of-sale and online marketing with popular brands and retailers to further enable consumers to find REPREVE® and other PVA brands in multiple retail channels. Based on the establishment of many commercial and branded programs, this strategy has been successful for UNIFI.

Product Customization and Manufacturing Processes

UNIFI uses advanced production processes to manufacture its high-quality products cost-effectively in North America, Central America and South America. UNIFI believes that its flexibility and know-how in producing specialty polyester and nylon products provide important development and commercialization advantages, in addition to the recent ability to vertically integrate with post-industrial and post-consumer materials.

UNIFI produces Flake, polyester Chip and POY using recycled materials. In addition to its yarns manufactured from virgin polyester and nylon, UNIFI sells its recycled products externally or further processes them internally to add value for customers seeking recycled components. The REPREVE® Bottle Processing Center in Reidsville, North Carolina produces Flake that can be sold externally, or further processed internally at our REPREVE® Recycling Center in Yadkinville, North Carolina. Recycled polyester Chip output from the REPREVE® Recycling Center can be sold externally, or further processed internally into polyester POY.

Additional processing of UNIFI's polyester POY includes texturing, package dyeing, twisting, beaming and draw winding. The texturing process, which is common to both polyester and nylon, involves the use of high-speed machines to draw, heat and false-twist POY to produce yarn with different physical characteristics, depending on its ultimate end use. Texturing gives the yarn greater bulk, strength, stretch, consistent dye-ability and a softer feel, thereby making it suitable for use in the knitting and weaving of fabric. Package dyeing allows for matching of customer-specific color requirements for yarns sold into the automotive fabrics, home furnishings and apparel markets. Twisting incorporates real twist into filament yarns, which can be sold for a variety of uses, such as sewing thread, home furnishings and apparel. Beaming places both textured and covered yarns onto beams to be used by customers in warp knitting and weaving applications. The draw winding process utilizes heat and draws POY to produce mid-tenacity, flat yarns.

Additional processing of UNIFI's nylon yarn products primarily includes covering and texturing. Covering involves the wrapping or air entangling of filament or spun yarn around a core yarn, primarily spandex. This process enhances a fabric's ability to stretch, recover its original shape and resist wrinkles while maintaining a softer feel.

UNIFI's subsidiaries in Asia offer the same high-quality and innovative PVA products and technologies through contract manufacturing arrangements with local manufacturers. This asset-light model allows for seamless integration of our products into the global supply chain of our customers. As we expand our Asian operations to meet the needs of our global customers, we will continue to leverage the asset-light model where the existing Asian infrastructure can accommodate our highly technical processes, while continually evaluating the need for additional UNIFI assets in response to ever-changing market dynamics.

Research and Development

UNIFI employs approximately 100 persons who work closely with UNIFI's customers, brand partners and others to develop a variety of new yarns as well as improvements to the performance properties of existing yarns and fabrics. Among other things, UNIFI evaluates trends and uses the latest technology to create innovative specialty and PVA yarns that meet the needs of evolving consumer preferences. Most of UNIFI's branded yarns discussed above, including its flagship REPREVE® brand, were derived from its research and development initiatives.

UNIFI also includes, as part of its research and development initiatives, the use of continuous improvement methodologies to increase its manufacturing and other operational efficiencies, both to enhance product quality and to derive cost savings.

For fiscal 2018, 2017 and 2016, UNIFI incurred $7,792, $7,177 and $6,907, respectively, in costs for research and development (including salaries and benefits of the personnel involved in those efforts). UNIFI expects research and development costs to increase from fiscal 2018 to fiscal 2019 in connection with further strategic investments in technology, innovation and sustainability.

Intellectual Property

UNIFI has numerous trademarks registered in the United States and in other countries and jurisdictions around the world. Due to its current brand recognition and potential growth opportunities, UNIFI believes that its portfolio of registered REPREVE® trademarks is its most significant trademark asset. Ownership rights in registered trademarks typically do not expire if the trademarks are continued in use and properly protected under applicable law.

UNIFI licenses certain trademarks, including Dacron® and Softec™, from INVISTA.

UNIFI also employs its innovative manufacturing know-how, methods and processes to produce and deliver proprietary PVA solutions to customers and brand partners. UNIFI relies on the copyright and trade secret laws of the United States and other countries, as well as nondisclosure and confidentiality agreements, to protect these rights.

Employees

As of June 24, 2018, UNIFI had approximately 2,900 employees, along with approximately 200 individuals working under temporary labor contracts. The number of employees in the Polyester Segment, Nylon Segment, International Segment and corporate office were approximately 1,700, 500, 600 and 100, respectively, at June 24, 2018. While employees of UNIFI's Brazilian operations are unionized, none of the labor force employed by UNIFI's domestic or other foreign subsidiaries is currently covered by a collective bargaining agreement. UNIFI believes that it has a good relationship with its employees.

Geographic Data

Geographic information reported in conformance with U.S. generally accepted accounting principles ("GAAP") is included in Note 25, "Business Segment Information," to the accompanying consolidated financial statements. Information regarding risks attendant to UNIFI's foreign operations is included in "Item 1A. Risk Factors" in this Annual Report.

Seasonality

UNIFI is not significantly impacted by seasonality; however, UNIFI typically experiences its highest sales volumes in the fourth quarter of its fiscal years. Excluding the effects of fiscal years with 53 weeks rather than 52 weeks, the most significant effects on UNIFI's results of operations for particular periods during a year are due to planned manufacturing shutdowns by either UNIFI or its customers for certain holiday or traditional shutdown periods, which are not concentrated in any one particular quarter.

Backlog

UNIFI's level of unfilled orders is affected by many factors, including the timing of specific orders and the delivery time for specific products, as well as a customer's ability or inability to cancel the related order. As such, UNIFI does not consider the amount of unfilled orders, or backlog, to be a meaningful indicator of expected levels of future sales or to be material to an understanding of UNIFI's business as a whole.

Working Capital

UNIFI funds its working capital requirements through cash flows generated from operations, which it supplements with short-term borrowings, as needed. For more detailed information, see "Liquidity and Capital Resources" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report.

Inflation

UNIFI expects costs to continue to rise for certain consumables used to produce and ship its products, as well as for its utilities and certain employee costs and benefits. While UNIFI attempts to mitigate the impacts of such rising costs through increased operational efficiencies and increased selling prices, inflation could become a factor that negatively impacts UNIFI's profitability.

Environmental Matters

UNIFI is subject to various federal, state and local environmental laws and regulations limiting the use, storage, handling, release, discharge and disposal of a variety of hazardous substances and wastes used in or resulting from its operations (and to potential remediation obligations thereunder). These laws include the Federal Water Pollution Control Act, the Clean Air Act, the Resource Conservation and Recovery Act (including provisions relating to underground storage tanks) and the Comprehensive Environmental Response, Compensation, and Liability Act, commonly referred to as "Superfund" or "CERCLA," and various state counterparts to such laws. UNIFI's operations are also governed by laws and regulations relating to workplace safety and worker health, principally the Occupational Safety and Health Act and regulations issued thereunder, which, among other things, establish exposure standards regarding hazardous materials and noise standards, and regulate the use of hazardous chemicals in the workplace.

UNIFI believes that it has obtained, and is in compliance in all material respects with, all significant permits required to be issued by federal, state or local law in connection with the operation of its business. UNIFI also believes that the operation of its production facilities and its disposal of waste materials are substantially in compliance with applicable federal, state and local laws and regulations, and that there are no material ongoing or anticipated capital expenditures associated with environmental control facilities necessary to remain in compliance with such provisions. UNIFI incurs normal operating costs associated with the discharge of materials into the environment, but does not believe that these costs are material or inconsistent with those of its domestic competitors.

On September 30, 2004, UNIFI completed its acquisition of polyester filament manufacturing assets located in Kinston, North Carolina from INVISTA. The land for the Kinston site was leased pursuant to a 99-year ground lease (the “Ground Lease”) with E.I. DuPont de Nemours (“DuPont”). Since 1993, DuPont has been investigating and cleaning up the Kinston site under the supervision of the U.S. Environmental Protection Agency and the North Carolina Department of Environmental Quality (“DEQ”) pursuant to the Resource Conservation and Recovery Act Corrective Action program. The program requires DuPont to identify all potential areas of environmental concern (“AOCs”), assess the extent of containment at the identified AOCs and remediate the AOCs to comply with applicable regulatory standards. Effective March 20, 2008, UNIFI entered into a lease termination agreement associated with conveyance of certain assets at the Kinston site to DuPont. This agreement terminated the Ground Lease and relieved UNIFI of any future responsibility for environmental remediation, other than participation with DuPont, if so called upon, with regard to UNIFI’s period of operation of the Kinston site, which was from 2004 to 2008. At this time, UNIFI has no basis to determine if or when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same.

UNIFI continues to own property acquired in the 2004 transaction with INVISTA that has contamination from DuPont’s operations and is monitored by DEQ. This site has been remediated by DuPont, and DuPont has received authority from DEQ to discontinue further remediation, other than natural attenuation. Prior to transfer of responsibility to UNIFI, DuPont has a duty to monitor and report the environmental status of the site to DEQ. UNIFI expects to assume that responsibility in calendar 2018 and will be entitled to receive from DuPont seven years of monitoring and reporting costs, less certain adjustments. At that time, UNIFI expects to assume responsibility for any future remediation of the site. At this time, UNIFI has no basis to determine if or when it will have any obligation to perform further remediation or the potential cost thereof.

Joint Ventures and Unconsolidated Affiliates

In addition to its 34% ownership in PAL, UNIFI participates in two joint ventures that supply raw materials to the Nylon Segment, with one located in the United States and one in Israel. As of June 24, 2018, UNIFI had $112,639 recorded for these investments in unconsolidated affiliates. For fiscal 2018, $5,787 of UNIFI’s $30,211 of income before income taxes was generated from its investments in these unconsolidated affiliates, of which $4,533 was attributable to PAL. Other information regarding UNIFI’s unconsolidated affiliates is provided in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in Note 22, “Investments in Unconsolidated Affiliates and Variable Interest Entities,” to the accompanying consolidated financial statements in this Annual Report.

On December 23, 2016, UNIFI, through a wholly owned foreign subsidiary, sold its 60% equity ownership interest in Repreve Renewables, LLC (“Renewables”), an entity that was focused on the development, production and commercialization of miscanthus grass for use in multiple potential markets, to its existing third-party joint venture partner for $500 in cash and release of certain debt obligations. UNIFI had no continuing involvement in the operations of Renewables subsequent to December 23, 2016. The corresponding results of Renewables, up through the date of sale, are reflected in continuing operations within the accompanying consolidated financial statements.

Available Information

UNIFI’s website is *www.unifi.com*. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as well as proxy statements and other information we file with, or furnish to, the Securities and Exchange Commission (the “SEC”) are available free of charge on our website. We make these documents available as soon as reasonably practicable after we electronically transmit them to the SEC. Except as otherwise stated in these documents, the information on our website is not a part of this Annual Report and is not incorporated by reference in this Annual Report or any of our other filings with the SEC. In addition, many of our corporate governance documents are available on our website, including our Audit Committee Charter, Compensation Committee Charter, Corporate Governance and Nominating Committee Charter, Corporate Governance Guidelines, Code of Business Conduct and Ethics, Ethical Business Conduct Policy Statement and Code of Ethics for Senior Financial and Executive Officers. Copies of such materials, as well as any of our SEC reports and all amendments thereto, may also be obtained without charge by writing to Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410, Attention: Office of the Secretary.

Item 1A. Risk Factors

Many of the factors that affect UNIFI’s business and operations involve risk and uncertainty. The factors described below are some of the risks that could materially negatively affect UNIFI’s business, financial condition, results of operations and cash flows. You should consider all such risks in evaluating UNIFI or making any investment decision involving UNIFI.

UNIFI faces intense competition from a number of domestic and foreign yarn producers and importers of foreign-sourced fabric, apparel and other textile products. Because UNIFI and the supply chains in which UNIFI conducts its business do not typically operate on the basis of long-term contracts with textile customers or brand partners, these competitive factors could cause UNIFI’s customers or brand partners to shift rapidly to other producers.

UNIFI competes not only against domestic and foreign yarn producers, but also against importers of foreign-sourced fabric, apparel and other textile products into the United States and other countries in which UNIFI does business (particularly in Brazil with respect to commodity yarn products). The primary competitive factors in the textile industry include price, quality, product styling, performance attributes and differentiation, brand reputation, flexibility and location of production and finishing, delivery time and customer service. The needs of certain customers and brand partners and the characteristics of particular products determine the relative importance of these various factors. A large number of UNIFI's foreign competitors have significant competitive advantages that may include lower labor and raw material costs, production facilities in locations outside UNIFI's existing supply chain, government subsidies and favorable foreign currency exchange rates against the USD. If any of these advantages increase, or if new and/or larger competitors emerge in the future, or if UNIFI's brand reputation is detrimentally impacted, then UNIFI's products could become less competitive, and its sales and profits may decrease as a result. In particular, devaluation of the Chinese currency against the USD could result in UNIFI's products becoming less competitive from a pricing standpoint and/or could result in the regions covered by NAFTA and CAFTA-DR losing market share to Chinese imports, thereby adversely impacting UNIFI's sales and profits. Also, while these foreign competitors have traditionally focused on commodity production, they are now increasingly focused on PVA products, where UNIFI has been able to generate higher margins. UNIFI may not be able to continue to compete effectively with foreign-made textile and apparel products, which would materially adversely affect its business, financial condition, results of operations or cash flows. Similarly, to maximize their own supply chain efficiency, customers and brand partners sometimes request that UNIFI's products be produced and sourced from specific geographic locations that are in close proximity to the customer's fabric mills or that have other desirable attributes from the customer's perspective. These locations are sometimes situated outside the footprint of UNIFI's existing global supply chain. If UNIFI is unable to move production based on customer requests or other shifts in regional demand, we may lose sales and experience an adverse effect on our business, financial condition, results of operations or cash flows.

A significant portion of our sales is dependent upon demand from a few large brand partners.

UNIFI's strategy involves the sale of products and solutions to other yarn manufacturers and knitters and weavers (UNIFI's direct customers) that produce yarn and/or fabric for brands and retailers in the apparel, hosiery, home furnishings, automotive, industrial and other end-use markets (UNIFI's indirect customers). We refer to these indirect customers as "brand partners." Although we generally do not derive revenue directly from our brand partners, sales volumes to our direct customers are linked with demand from our brand partners because our direct sales generally form a part of our brand partner's supply chain. A significant portion of our overall sales is tied to ongoing programs for a small number of brand partners. Our future operating results depend on both the success of our largest brand partners and on our success in diversifying our products and our indirect customer base. Because we typically do not operate on the basis of long-term contracts, our customers and brand partners can cease incorporating our products into their own with little notice to us and with little or no penalty. The loss of a large brand partner, and the failure to add new customers to replace the corresponding lost sales, would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Significant price volatility of UNIFI's raw materials and rising energy costs may result in increased production costs. UNIFI attempts to pass such increases in production costs on to its customers through responsive price increases. However, any such price increases are effective only after a time lag that may span one or more periods, during which UNIFI and its margins are negatively affected.

Petroleum-based chemicals and recycled plastic bottles comprise a significant portion of UNIFI's raw materials. The prices for these products and energy costs are volatile and dependent on global supply and demand dynamics, including geo-political risks. While UNIFI enters into raw material supply agreements from time to time, these agreements typically provide index pricing based on quoted market prices. Therefore, supply agreements provide only limited protection against price volatility. UNIFI attempts to pass on to its customers increases in raw material costs but at times it cannot and, when it can, there is typically a time lag that adversely affects UNIFI and its margins during one or more periods. Certain customers are subject to an index-based pricing model in which UNIFI's prices are adjusted based on the change in the cost of certain raw materials in the prior quarter. Pricing adjustments for other customers must be negotiated independently. In ordinary market conditions in which raw material price increases have stabilized and sales volumes are consistent with traditional levels, UNIFI has historically been successful in implementing price adjustments within one to two fiscal quarters of the raw material price increase for its index priced customers and within two fiscal quarters of the raw material price increase for its non-index priced customers. UNIFI has lost in the past (and expects that it may lose in the future) customers to its competitors as a result of price increases. In addition, competitors may be able to obtain raw materials at a lower cost due to market regulations that favor local producers in certain foreign locations where UNIFI operates, and certain other market regulations that favor UNIFI over other producers may be amended or repealed. Additionally, inflation can have a long-term impact by increasing the costs of materials, labor and/or energy, any of which costs may adversely impact UNIFI's ability to maintain satisfactory margins. If UNIFI is not able to fully pass on such cost increases to customers in a timely manner (or if it loses a large number of customers to competitors as a result of price increases), the result could be material and adverse to its business, financial condition, results of operations or cash flows.

Depending on the price volatility of petroleum-based inputs, recycled bottles and other raw materials, the price gap between virgin raw materials and recycled bottle flake could make virgin raw materials more cost-effective than recycled raw materials, which could result in an adverse effect on UNIFI's ability to sell its REPREVE® brand recycled products profitably.

UNIFI depends on limited sources for certain of its raw materials, and interruptions in supply could increase its costs of production, cause production inefficiencies or lead to a halt in production.

UNIFI depends on a limited number of third parties for certain raw material supplies, such as POY, Chip and recycled plastic bottles. Although alternative sources of raw materials exist, UNIFI may not be able to obtain adequate supplies of such materials on acceptable terms, or at all, from other sources. UNIFI is dependent on NAFTA, CAFTA-DR and Berry Amendment qualified suppliers of raw materials for the production of Compliant Yarns. These suppliers are also at risk with their raw material supply chains. Any significant disruption or curtailment in the supply of any of its raw materials could cause UNIFI to reduce or cease its production for an extended period, or require UNIFI to increase its pricing, any of which could have a material adverse effect on its business, financial condition, results of operations or cash flows.

A disruption at one of our facilities could harm our business and result in significant losses, lead to a decline in sales and increase our costs and expenses.

Our operations and business could be disrupted by natural disasters, industrial accidents, power or water shortages, extreme weather conditions and other man-made disasters or catastrophic events. We carry commercial property damage and business interruption insurance against various risks, with limits we deem adequate for reimbursement for damage to our fixed assets and resulting disruption of our operations. However, the occurrence of any of these business disruptions could harm our business and result in significant losses, lead to a decline in sales and increase our costs and expenses. Any disruptions from these events could require substantial expenditures and recovery time in order to fully resume operations and could also have a material adverse effect on our operations and financial results to the extent losses are uninsured or exceed insurance recoveries and to the extent that such disruptions adversely impact our relationships with our customers.

UNIFI has significant foreign operations, and its consolidated results of operations and business may be adversely affected by the risks associated with doing business in foreign locations, including the risk of fluctuations in foreign currency exchange rates.

UNIFI has operations in Brazil, China, Colombia, El Salvador and Sri Lanka, and participates in a joint venture located in Israel. In addition, to help service its customers, UNIFI from time to time engages with third-party independent contractors to provide sales and distribution, manufacturing and other operational and administrative support services in locations around the world. UNIFI serves customers throughout the Americas and Asia, as well as various countries in Europe. UNIFI's foreign operations are subject to certain political, tax, economic and other uncertainties not encountered by its domestic operations that can materially impact UNIFI's supply chains or other aspects of its foreign operations. The risks of international operations include trade barriers, duties, exchange controls, national and regional labor strikes, social and political unrest, general economic risks, compliance with a variety of foreign laws (including tax laws), the difficulty of enforcing agreements and collecting receivables through foreign legal systems, taxes on distributions or deemed distributions to UNIFI or any of its U.S. subsidiaries, maintenance of minimum capital requirements, and import and export controls. UNIFI's consolidated results of operations and business could be adversely affected as a result of a significant adverse development with respect to any of these risks.

Through its foreign operations, UNIFI is also exposed to foreign currency exchange rate fluctuations. Fluctuations in foreign currency exchange rates will impact period-to-period comparisons of UNIFI's reported results. Additionally, UNIFI operates in countries with foreign exchange controls. These controls may limit UNIFI's ability to transfer funds from its international operations and joint venture or otherwise to convert local currencies into USDs. These limitations could adversely affect UNIFI's ability to access cash from its foreign operations.

In addition, due to its foreign operations, a risk exists that UNIFI's employees, contractors or agents could engage in business practices prohibited by U.S. laws and regulations applicable to the Company, such as the Foreign Corrupt Practices Act, or the laws and regulations of other countries, such as the Brazilian Clean Companies Act. UNIFI maintains policies prohibiting these practices, but it remains subject to the risk that one or more of its employees, contractors or agents, specifically ones based in or from countries where such practices are customary, will engage in business practices in violation of these laws and regulations. Any such violations, even if in breach of UNIFI's policies, could adversely affect its business or financial performance.

UNIFI's future success will depend in part on its ability to protect and preserve its intellectual property rights, and UNIFI's inability to enforce these rights could cause it to lose sales, reduce any competitive advantage it has developed or otherwise harm its business.

UNIFI's future success depends in part on its ability to protect and preserve its rights in the trademarks and other intellectual property it owns or licenses, including its proprietary know-how, methods and processes. UNIFI relies on the trademark, copyright and trade secret laws of the United States and other countries, as well as nondisclosure and confidentiality agreements, to protect its intellectual property rights. However, UNIFI may be unable to prevent third parties, employees or contractors from using its intellectual property without authorization, breaching nondisclosure or confidentiality agreements, or independently developing technology that is similar to UNIFI's. The use of UNIFI's intellectual property by others without authorization may cause it to lose sales, reduce any competitive advantage UNIFI has developed or otherwise harm its business.

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

UNIFI has invested heavily in branding and marketing initiatives, and certain of our brands—particularly our REPREVE® brand—have widespread recognition. Our financial success is directly dependent on the success of our brands. The success of a brand can suffer if our marketing plans or product initiatives do not have the desired impact on a brand's image or its ability to attract consumers. Our financial results could also be negatively impacted if one of our brands suffers substantial harm to its reputation due to a product recall, product-related litigation, the sale of counterfeit products or other circumstances that tarnish the qualities and values represented by our brands. Part of our strategy also includes the license of our trademarks to brand partners, customers, independent contractors and other third parties. For example, we license our REPREVE® trademarks to brand partners who feature this trademark on their marketing materials as part of a co-branded environmental sustainability product narrative. Although we make concerted efforts to protect our brands through quality control mechanisms and contractual obligations imposed on our licensees, there is a risk that some licensees might not be in full compliance with those mechanisms and obligations. If the reputation of one or more of our brands is significantly eroded, it could adversely affect our sales, results of operations, cash flows and financial condition.

UNIFI has investments in less-than-100%-owned affiliates that it does not control, which subjects UNIFI to uncertainties about the operating performance and quality of financial reporting of these affiliates.

The most significant of these investments is UNIFI's 34% minority interest in PAL. While this investment is designed to provide industry diversity for UNIFI, UNIFI does not have majority voting control of PAL or the ability otherwise to control PAL's policies, management or affairs. The interests of persons who control PAL may differ from UNIFI's, and those persons may cause PAL to take actions that are not in UNIFI's best interest. Among other things, UNIFI's inability to control PAL may adversely affect its ability to receive distributions from PAL or to fully implement its business plan. The incurrence of debt or entry into other agreements by PAL may result in restrictions or prohibitions on PAL's ability to make distributions to UNIFI. Even where PAL is not restricted by contract or by law from making distributions, UNIFI may not be able to influence the timing or amount of such distributions. In addition, if the controlling investor in PAL fails to observe its commitments, PAL may not be able to operate according to its business plan, or UNIFI may need to increase its level of investment commitment. If any of these events were to occur, UNIFI's business, financial condition, results of operations or cash flows could be materially adversely affected.

UNIFI also relies on accurate financial reporting from PAL for preparation of UNIFI's quarterly and annual consolidated financial statements. Errors in the financial information reported by PAL could be material to UNIFI and may require us to restate past financial statements. Any such restatements could have a material adverse effect on UNIFI or the market price of our common stock.

PAL receives economic adjustment payments from the Commodity Credit Corporation under the Economic Adjustment Assistance to Users of Upland Cotton. The economic assistance received under this program must be used to acquire, construct, install, modernize, develop, convert or expand land, plant, buildings, equipment or machinery directly attributable to the purpose of manufacturing upland cotton into eligible cotton products in the United States. Should PAL no longer meet the criteria to receive economic assistance under the program, or should the program be discontinued, PAL's business and profitability could be significantly impacted, which would adversely affect UNIFI.

UNIFI requires cash to service its indebtedness and to fund capital expenditures and strategic initiatives, and its ability to generate sufficient cash for those purposes depends on many factors beyond its control.

UNIFI's principal sources of liquidity are cash flows generated from operations and borrowings under its credit facility. UNIFI's ability to make payments on its indebtedness and to fund planned capital expenditures and strategic initiatives will depend on its ability to generate future cash flows from operations. This ability, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond UNIFI's control. The business may not generate sufficient cash flows from operations, and future borrowings may not be available to UNIFI in amounts sufficient, to enable UNIFI to pay its indebtedness and to fund its other liquidity needs. Any such development would have a material adverse effect on UNIFI.

A decline in general economic or political conditions, and changes in consumer spending, could cause a decline in demand for textile products, including UNIFI's products.

UNIFI's products are used in the production of fabric primarily for the apparel, hosiery, home furnishings, automotive, industrial and other end-use markets. Demand for furniture and other durable goods is often affected significantly by economic conditions that have global or regional industry-wide consequences. Demand for a number of categories of apparel also tends to be tied to economic cycles and customer preferences that affect the textile industry in general. Demand for textile products, therefore, tends to vary with the business cycles of the United States and other economies, as well as changes in global trade flows, and economic and political conditions. Additionally, prolonged economic downturns that negatively impact UNIFI's results of operations and cash flows could result in future material impairment charges to write-down the carrying value of certain assets, including amortizable intangible assets and equity affiliates.

Changes in consumer spending, customer preferences, fashion trends and end uses for UNIFI's products could weaken UNIFI's competitive position and cause UNIFI's products to become less competitive, and its sales and profits may decrease as a result. Additionally, the end-consumer retail and apparel markets may continue to experience difficult conditions characterized by reduced retail traffic and growth in online sales channels, which may cause bankruptcies, store closures and other transformations for traditional retail enterprises, which could have an adverse effect on UNIFI's business and financial condition.

Historic trends indicate weakening performance in the nylon sector on a global basis. If the decline is significant in any one year or the cumulative decline over a number of years is significant, the impact could have a material adverse effect on UNIFI's business, financial condition, results of operations or cash flows.

Unfavorable changes in trade policies and/or violations of existing trade policies could weaken UNIFI's competitive position significantly and have a material adverse effect on its business.

A number of markets within the textile industry in which UNIFI sells its products, particularly the apparel, hosiery and home furnishings markets, are subject to intense foreign competition. Other markets within the textile industry in which UNIFI sells its products may in the future become subject to more intense foreign competition. There are currently a number of trade regulations and duties in place to protect the U.S. textile industry against competition from low-priced foreign producers, such as those in China and Vietnam. Political- and policy-driven influences are subjecting international trade regulations to significant change, the details of which have not yet been fully established and the consequences of which are not yet fully understood. Future changes in such trade regulations or duties may make the price of UNIFI's products less attractive than the goods of its competitors or the finished products of a competitor in the supply chain, which could have a material adverse effect on UNIFI's business, financial condition, results of operations or cash flows. Such changes in U.S. import duties might also result in increased indirect costs on items imported to support UNIFI's domestic operations and/or countervailing or responsive changes applicable to exports of our products outside the United States.

According to industry experts and trade associations, there has been a significant amount of illegal transshipments of apparel products into the United States and into certain other countries in the NAFTA and CAFTA-DR regions in which UNIFI competes. Illegal transshipment involves circumventing duties by falsely claiming that textiles and apparel are products of a particular country of origin (or include yarn of a particular country of origin) to avoid paying higher duties or to receive benefits from regional free trade agreements, such as NAFTA and CAFTA-DR. If illegal transshipments are not monitored, and if enforcement is not effective to limit them, these shipments could have a material adverse effect on UNIFI's business, financial condition, results of operations or cash flows.

In January 2017, the United States withdrew from the Trans-Pacific Partnership Agreement, an evolving trade agreement that included Vietnam, a major textile and apparel exporting country whose duty-free benefits under the agreement could have had an adverse effect on UNIFI's business in the long term. In May 2017, the Trump administration formally notified Congress of its intent to renegotiate NAFTA. These negotiations appear to have been put on hold due to recent changes in the Mexican government and the upcoming U.S. mid-term elections. The United States has a positive trade balance in the textile and apparel sector in NAFTA and UNIFI anticipates any modifications to the agreement in this sector will not significantly impact textile and apparel trade in the region.

In order to compete, we must attract, retain and motivate key employees, and our failure to do so could harm our business and our results of operations.

In order to compete effectively, we must attract and retain qualified employees. Our future operating results and success depend on keeping key personnel and management and also expanding our technical, sales and marketing, innovation and administrative support. The competition for qualified personnel is intense, particularly as it relates to hourly personnel in the domestic communities in which our manufacturing facilities are located. We cannot be sure that we will be able to attract and retain qualified personnel in the future, which could harm our business and results of operations.

Our business and operations could suffer in the event of cybersecurity breaches.

Attempts to gain unauthorized access to our information technology systems have become increasingly more sophisticated over time. These attempts, which might be related to industrial or other espionage, include covertly introducing malware to our computers and networks and impersonating authorized users, among others. We seek to detect and investigate all security incidents and to prevent their recurrence, but in some cases we might be unaware of an incident or its magnitude and effects. The theft, unauthorized use or publication of our intellectual property and/or confidential business information could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives or otherwise adversely affect our business. To the extent that any cybersecurity breach results in inappropriate disclosure of our customers' or brand partners' confidential information, we may incur liability as a result. In addition, the devotion of additional resources to the security of our information technology systems in the future could significantly increase the cost of doing business or otherwise adversely impact our financial results.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table contains information about the principal properties owned or leased by UNIFI as of June 24, 2018:

Location	Description
Polyester Segment	
Domestic	
Yadkinville, North Carolina	Five plants (1) and five warehouses (2)
Reidsville, North Carolina	Two plants (1)
Foreign	
Ciudad Arce, El Salvador	One plant (1) and one warehouse (3)
Nylon Segment	
Domestic	
Madison, North Carolina	One plant (1) and one warehouse (1)
Foreign	
Bogota, Colombia	One plant (1)
International Segment	
Foreign	
Alfenas, Brazil	One plant (1) and one warehouse (1)
Sao Paulo, Americana and Blumenau, Brazil	One corporate office (3) and two sales offices (3)
Suzhou, China	One sales office (3) and one warehouse (3)
Colombo, Sri Lanka	One sales office (3)

(1) Owned in fee simple.
(2) Three warehouses are owned in fee simple and two warehouses are leased.
(3) Leased.

In addition to the above properties, UNIFI owns property located at 7201 West Friendly Avenue in Greensboro, North Carolina, which includes a building that serves as UNIFI's corporate headquarters and administrative offices for all of its segments and a sales office. Such property consists of a tract of land containing approximately nine acres, and the building contains approximately 120,000 square feet.

As of June 24, 2018, UNIFI owned approximately 4.8 million square feet of manufacturing, warehouse and office space. Management believes all of UNIFI's operating properties are well-maintained and in good condition. In fiscal 2018, UNIFI's plants in the Polyester, Nylon and International Segments operated below capacity. Management does not perceive any capacity constraints in the foreseeable future.

Item 3. Legal Proceedings

We are from time to time a party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. With respect to all such lawsuits, claims and proceedings, we record reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. We do not believe that any of these proceedings, individually or in the aggregate, would be expected to have a material adverse effect on our results of operations, financial position or cash flows. We maintain liability insurance for certain risks that is subject to certain self-insurance limits.

Item 4. Mine Safety Disclosures

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following is a description of the names and ages of the executive officers of the Company, indicating all positions and offices with the Company held by each such person and each person's principal occupations or employment during the past five years. Each executive officer of UNIFI is elected by the Board and holds office from the date of election until thereafter removed by the Board.

Kevin D. Hall – Age: 59 – Mr. Hall has served as Chief Executive Officer of the Company since May 2017 and as Chairman of the Board of Directors since October 2017. Prior to joining UNIFI, Mr. Hall served as Chief Executive Officer of NatPets LLC, a high-growth natural/organic premium pet company, from September 2016 to May 2017. From 2014 to 2015, Mr. Hall was President and Chief Executive Officer of Geneva Watch Group, a global fashion watch and accessories business. Between 2012 and 2014, Mr. Hall ran the KDH Advisory Group, a strategic marketing, branding and consulting firm, where he served as a consultant/advisor to a number of companies, including Pact at Revelry Brands, Vogue International and Inmar, Inc. From 2006 to 2011, Mr. Hall served as Chief Marketing Officer at Hanesbrands Inc. and then was promoted to President of the Outerwear strategic business unit of Hanesbrands, Inc., a business unit that included Champion Activewear, Just My Size and Hanes Casualwear. From 2001 to 2006, Mr. Hall was Senior Vice President of Marketing at Fidelity Investments Retirement Services Company. Prior to that, Mr. Hall held various brand marketing and general manager positions at The Procter & Gamble Company from 1985 to 2001.

Jeffrey C. Ackerman – Age: 55 – Mr. Ackerman has served as Executive Vice President & Chief Financial Officer of UNIFI since September 2017. Prior to joining UNIFI, Mr. Ackerman served as Executive Vice President & Chief Financial Officer of The Fresh Market, Inc., a specialty grocery retailer focused on creating an extraordinary food shopping experience for its customers, from June 2013 to September 2016. Prior to that, Mr. Ackerman served as Executive Vice President & Chief Financial Officer of Sealy Corporation, one of the largest bedding manufacturers in the world, from 2006 to 2013. From 1997 to 2006, Mr. Ackerman held various finance positions, including Vice President, Finance, with Dade Behring Inc., a medical diagnostics company. From 1989 to 1997, he held a variety of finance roles at the Frito-Lay branded snack foods division of PepsiCo, Inc.

Thomas H. Caudle, Jr. – Age: 66 – Mr. Caudle has served as President & Chief Operating Officer of UNIFI since August 2017. Previously, he was President of the Company from April 2016 to August 2017, Vice President of Manufacturing of the Company from October 2006 to April 2016 and Vice President of Global Operations of the Company from April 2003 to October 2006. Mr. Caudle joined UNIFI in 1982 and, since that time, has served in a variety of other leadership roles, including Senior Vice President in charge of manufacturing for the Company and Vice President of Manufacturing Services.

Richard E. Gerstein – Age: 53 – Mr. Gerstein has served as Executive Vice President, Global Branded Premium Value-Added Products and Chief Marketing Officer of the Company since August 2017. Before joining UNIFI, Mr. Gerstein served from January 2015 to August 2017 as founder and a partner of two consulting firms, TNG Consulting and The Brand CHarGe, in San Francisco, California. With TNG Consulting, Mr. Gerstein worked with early-stage technology and consumer products companies on strategy, marketing and investment. With The Brand CHarGe, Mr. Gerstein assisted private equity firms with new business and proprietary customer assessments used in due diligence and growth plans. From May 2014 to May 2015, Mr. Gerstein served as Chief Customer Officer for Motista, LLC, a strategy and marketing firm focused on emotional data and analytics, where he developed new client relationships and new products. Previously, Mr. Gerstein co-founded and served (from 2011 to 2014) as Chief Executive Officer of ZigMail.com, an e-mail concierge service focused on organizing and simplifying personal e-mail inboxes, and served in various executive roles with HP Inc. (formerly known as Hewlett-Packard Company) (from 2010 to 2011), Sears Holdings Corporation (from 2007 to 2010), Alberto-Culver Company (from 2005 to 2007) and The Procter & Gamble Company (from 1987 to 2005).

John D. Vegas – Age: 47 – Mr. Vegas has been Executive Vice President, Global Chief Human Resources Officer of the Company since August 2017. Before joining UNIFI, Mr. Vegas served, from August 2015 to August 2017, as Vice President, Human Resources and Chief Human Resources Officer of G&K Services, Inc., a service-focused provider of branded uniform and facility services programs, which was acquired by Cintas Corporation in March 2017. From 2003 to 2015, Mr. Vegas was with Ecolab Inc., the global leader in water, hygiene and energy technologies and services that protect people and vital resources, where he held several management positions, including Vice President and General Manager, Institutional Latin America; Regional Vice President of Sales; Vice President of Human Resources—Institutional Sector; and Director of HR—Industrial Sector. Prior to that, Mr. Vegas worked for Food Lion, LLC, from 2001 to 2003, as Director of Organizational Development and for Hannaford Bros. Co., from 1993 to 2001, in a variety of management roles.

PART II

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

UNIFI's common stock is listed for trading on the New York Stock Exchange (the "NYSE") under the symbol "UFI." The following table sets forth the closing, high and low sales prices of the common stock for UNIFI's two most recent fiscal years.

	Close	High	Low
Fiscal 2018:			
Fourth quarter ended June 24, 2018	$ 31.52	$ 38.65	$ 28.97
Third quarter ended March 25, 2018	36.10	37.49	33.00
Second quarter ended December 24, 2017	35.21	39.21	33.15
First quarter ended September 24, 2017	33.33	33.92	27.98
Fiscal 2017:			
Fourth quarter ended June 25, 2017	$ 28.92	$ 30.74	$ 26.38
Third quarter ended March 26, 2017	26.99	33.78	26.03
Second quarter ended December 25, 2016	32.85	34.70	26.55
First quarter ended September 25, 2016	29.20	29.69	24.82

As of August 16, 2018, there were 130 record holders of UNIFI's common stock. A significant number of the outstanding shares of common stock that are beneficially owned by individuals and entities are registered in the name of Cede & Co. Cede & Co. is a nominee of The Depository Trust Company, a securities depository for banks and brokerage firms. UNIFI estimates that there are approximately 5,000 beneficial owners of its common stock.

No dividends were paid in the past two fiscal years, and UNIFI does not intend to pay cash dividends in the foreseeable future. UNIFI's current debt obligations contain certain restricted payment and restricted investment provisions, including a restriction on the payment of dividends and share repurchases under certain circumstances. Information regarding UNIFI's debt obligations is provided in Note 12, "Long-Term Debt," to the accompanying consolidated financial statements.

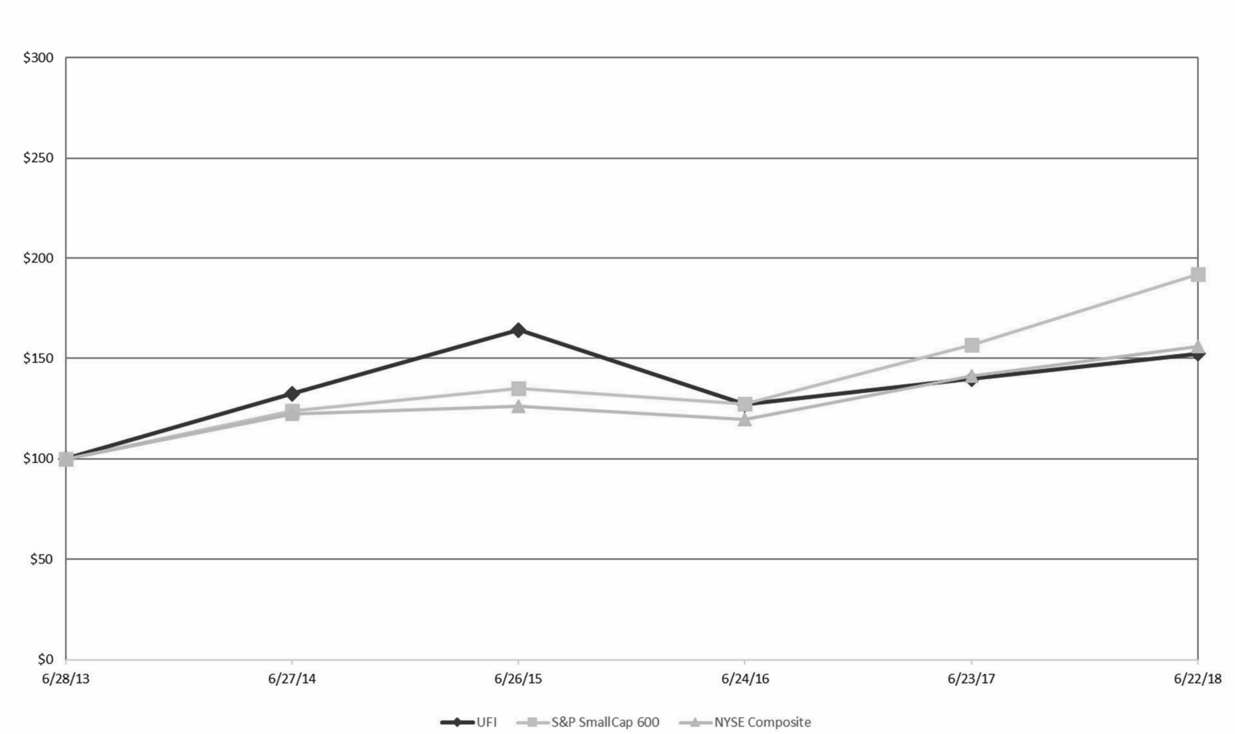
Purchases of Equity Securities

On April 23, 2014, UNIFI announced that the Board had approved the SRP under which UNIFI is authorized to acquire up to $50,000 of its common stock. The SRP has no stated expiration or termination date, and there is no time limit or specific time frame otherwise for repurchases. Under the SRP, purchases may be completed in accordance with SEC regulations at prevailing market prices, through open market purchases or privately negotiated transactions, at such times and prices and in such manner as determined by management, subject to market conditions, applicable legal requirements, contractual obligations and other factors. Repurchases, if any, are expected to be financed through cash generated from operations and borrowings, and are subject to applicable limitations and restrictions as set forth in the credit agreement governing UNIFI's debt obligations. UNIFI may discontinue repurchases at any time that management determines additional purchases are not beneficial or advisable.

UNIFI did not purchase any of its common stock during fiscal 2017 and 2018. As of June 24, 2018, UNIFI had repurchased a total of 806 shares, at an average price of $27.79 (for a total of $22,409, inclusive of commission costs) pursuant to the SRP, and $27,603 remained available for repurchases.

PERFORMANCE GRAPH - SHAREHOLDER RETURN ON COMMON STOCK

The below graphic comparison assumes the investment of $100 in each of UNIFI common stock, the S&P SmallCap 600 Index (a benchmark index containing inclusion characteristics closely associated with UNIFI) and the NYSE Composite Index (a broad equity market index), all at June 28, 2013. The resulting cumulative total return assumes that dividends, if any, were reinvested. Past performance is not indicative of future performance.



	June 28, 2013	June 27, 2014	June 26, 2015	June 24, 2016	June 23, 2017	June 22, 2018
Unifi, Inc.	$ 100.00	$ 132.56	$ 164.20	$ 127.19	$ 139.91	$ 152.49
S&P SmallCap 600	100.00	124.07	135.07	127.44	156.94	191.78
NYSE Composite	100.00	122.40	126.38	119.62	141.39	156.06

Item 6. Selected Financial Data

The following table presents selected historical consolidated financial data. The data should be read in conjunction with UNIFI's historical consolidated financial statements for each of the fiscal years presented, as well as "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report.

	For the Fiscal Year Ended				
	June 24, 2018	June 25, 2017	June 26, 2016	June 28, 2015	June 29, 2014
Number of fiscal weeks	52	52	52	52	52
Operations Data:					
Net sales	$ 678,912	$ 647,270	$ 643,637	$ 687,121	$ 687,902
Gross profit	86,428	94,164	93,632	90,705	83,262
Selling, general and administrative expenses	56,077	50,829	47,502	49,672	46,203
Operating income	28,799	43,768	42,198	38,486	31,483
Interest expense	4,935	3,578	3,528	4,025	4,329
Equity in earnings of unconsolidated affiliates [(1)]	(5,787)	(4,230)	(8,963)	(19,475)	(19,063)
Income from continuing operations before income taxes	30,211	43,275	48,243	53,812	47,881
(Benefit) provision for income taxes [(2)]	(1,491)	10,898	15,073	13,346	20,161
Income from continuing operations, net of tax	31,702	32,377	33,170	40,466	27,720
Net income attributable to Unifi, Inc. [(3)]	31,702	32,875	34,415	42,151	28,823
Per common share:					
Net income attributable to Unifi, Inc.					
Basic	$ 1.73	$ 1.81	$ 1.93	$ 2.32	$ 1.52
Diluted	$ 1.70	$ 1.78	$ 1.87	$ 2.24	$ 1.47
Cash Flow Data:					
Net cash provided by operating activities	$ 37,335	$ 46,062	$ 55,975	$ 38,903	$ 56,357
Depreciation and amortization expenses	22,585	20,368	17,528	18,043	17,896
Capital expenditures	25,029	33,190	52,337	25,966	19,091
Distributions received from unconsolidated affiliates	12,236	2,322	4,732	3,718	13,214
Cash paid for share repurchases	—	—	6,211	10,360	36,551
Cash dividends declared per common share	$ —	$ —	$ —	$ —	$ —

	June 24, 2018	June 25, 2017	June 26, 2016	June 28, 2015	June 29, 2014
Balance Sheet Data:					
Cash and cash equivalents	$ 44,890	$ 35,425	$ 16,646	$ 10,013	$ 15,907
Property, plant and equipment, net	205,516	203,388	185,101	136,222	123,802
Total assets	601,807	571,503	525,442	474,761	466,588
Total debt [(4)]	130,549	128,442	121,591	102,499	97,394
Total shareholders' equity	389,781	360,806	326,945	299,093	286,738

(1) Equity in earnings of unconsolidated affiliates for fiscal 2015 includes two bargain purchase gains recognized by PAL for a combined benefit to UNIFI of $4,696, before taxes.

(2) Provision for income taxes for fiscal 2018 includes, among other items, benefits from the reversal of (i) an uncertain tax position for $3,380 relating to certain intercompany foreign income applicable to fiscal 2015 and (ii) a valuation allowance on certain historical NOLs for $3,807, in addition to certain tax impacts resulting from federal tax reform legislation signed into law in December 2017.

Provision for income taxes for fiscal 2017 includes, among other items, a $1,500 benefit for the recognition of research and development credits relating to previously filed tax returns that were amended in fiscal 2017.

Provision for income taxes for fiscal 2015 includes, among other items, the reversal of $7,639 for the deferred tax liability related to UNIFI's indefinite reinvestment assertion, a $3,008 impact related to certain intercompany foreign currency transactions that originated in prior fiscal years and were settled in fiscal 2015, the release of $3,009 from the valuation allowance primarily in connection with an unconsolidated affiliate, renewable energy credits of $1,036 and net expense recognized for uncertain tax positions of $2,879.

During fiscal 2014, UNIFI increased the valuation allowance for certain deferred tax assets, generating additional tax expense of $1,925.

(3) Net income attributable to Unifi, Inc. ("Net Income"):

- for fiscal 2017 includes a loss on the divestiture of a non-core business of $1,662, after tax;
- for fiscal 2016 includes key employee transition costs of $1,493, after tax; and
- for fiscal 2015 includes a loss on the extinguishment of debt of $676, after tax.

(4) Total debt reflects principal outstanding less unamortized debt issuance costs.

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

The following is management's discussion and analysis of certain significant factors that have affected UNIFI's operations, along with material changes in financial condition, during the periods included in the accompanying consolidated financial statements. Management's discussion and analysis should be read in conjunction with the remainder of this Annual Report, with the understanding that "forward-looking statements" may be present. A reference to a "note" refers to the accompanying notes to consolidated financial statements.

Overview

UNIFI manufactures and sells polyester-based and nylon-based products primarily to other yarn manufacturers and knitters and weavers (UNIFI's direct customers) that produce yarn and/or fabric for the apparel, hosiery, home furnishings, automotive, industrial and other end-use markets (UNIFI's indirect customers). We refer to these indirect customers as "brand partners." Polyester yarns include POY, textured, solution and package dyed, twisted, beamed and draw wound yarns, and each is available in virgin or recycled varieties. Recycled solutions, made from both pre-consumer and post-consumer waste, include Flake and Chip. Nylon yarns include virgin or recycled textured, solution dyed and spandex covered yarns.

UNIFI maintains one of the textile industry's most comprehensive yarn product offerings that include specialized yarns, PVA yarns and commodity yarns, with principal geographic markets in the Americas and Asia.

UNIFI has direct manufacturing operations in four countries and participates in joint ventures in Israel and the United States, the most significant of which is a 34% non-controlling partnership interest in PAL, a significant unconsolidated affiliate that produces cotton and synthetic yarns for sale to the global textile industry and apparel market. We believe the investment in PAL provides strategic diversification for our overall business in response to global textile trends.

UNIFI has three reportable segments - the Polyester Segment, the Nylon Segment and the International Segment – as well as certain ancillary operations that include for-hire transportation services, which comprise an All Other category. The ancillary operations classified within All Other are insignificant for all periods presented; therefore, our discussion and analysis of those activities is generally limited to their impact on consolidated results, where appropriate.

UNIFI reported net income of $31,702, or $1.70 per diluted share, for fiscal 2018. These results primarily reflect the benefits of (i) growth in sales of PVA products, especially in the International Segment and (ii) an effective tax rate lower than recent prior years due primarily to the reversal of both a significant uncertain tax position and a valuation allowance on certain historical NOLs. The benefits to net income were partially offset by (a) an increasing raw materials cost environment coupled with a challenging domestic landscape in which achieving corresponding selling price adjustments was difficult against cost-competitive imports and (b) increased SG&A expenses for talent acquisition, marketing and commercial expansion.

In both fiscal 2017 and 2018, UNIFI faced periods of fluctuating and/or increasing virgin and recycled polyester raw material costs, depressing the Polyester Segment's gross margins. Additionally, the Polyester and Nylon Segments both experienced a difficult domestic environment, challenged by weak retail selling seasons, highly competitive imports and, through the first half of fiscal 2018, cautious ordering patterns from brands and retailers. However, the International Segment exhibited strong performance and growth due to the global success of UNIFI's PVA portfolio.

Significant Developments and Trends

UNIFI's operations in fiscal 2018 were focused on enhancing the global supply chain, growing the market for its PVA products and using cash flow from operations to fund select capital projects and strategic growth opportunities while also building out our commercial and management team through talent recruitment. This focus led to the continuing increase in UNIFI's PVA sales as a percentage of its overall sales, with net sales from PVA products representing approximately 45% of consolidated net sales for fiscal 2018. This increase continues a growth trend in PVA sales, which have risen more than 10% annually for the past several fiscal years. UNIFI's strategy of enriching its product mix through a focus on PVA products helps to insulate it from the pressures of low-priced commodity yarn imports and to establish UNIFI as an innovation leader in its core markets. UNIFI's innovative and sustainable products achieved growth in overseas markets, continuing to meet the demands of premier brands and retailers worldwide.

UNIFI's flagship REPREVE® brand continued as our fastest growing PVA solution during fiscal 2018. The increasing success and awareness of the REPREVE® brand continues to provide new opportunities for growth, allowing for expansion into new end uses and markets for REPREVE®, as well as continued growth of the brand with current customers. Both brands and consumers are demanding more sustainable solutions that provide better performance characteristics, and we believe REPREVE® is positioned to benefit from this trend.

However, despite the relative growth in PVA sales and overall sales, UNIFI experienced profitability challenges in fiscal 2018. The primary challenges related to (i) persistently rising raw material costs and an inherent lag in implementing responsive price increases, (ii) suppressed yarn demand in the Polyester and Nylon Segments and (iii) a less-profitable sales mix.

Fiscal 2017 marked the final year of a three-year $135,000 capital investment plan. Beginning with fiscal 2015, UNIFI invested approximately $35,000 in capital projects, adding machinery to support expansion of its draw-textured and air-jet textured businesses, launching its third production line in the REPREVE® Recycling Center and installing a 1-megawatt capacity solar farm. In fiscal 2016, UNIFI invested approximately $60,000 in capital projects, including initial construction of a bottle processing facility, commencing another REPREVE® Recycling Center expansion and enhancing automation systems and existing machinery to accommodate an increasingly complex product mix. UNIFI invested approximately $40,000 in capital projects in fiscal 2017, completing construction of its bottle processing facility, nearing completion of the fourth production line in the REPREVE® Recycling Center, and completing construction of assets for production of specialized bi-component fibers, along with additional enhancements to existing assets for customized and small-lot solutions.

In fiscal 2018, we invested approximately $25,000 in capital projects, which included (i) completing the fourth production line in the REPREVE® Recycling Center, (ii) making further improvements in production capabilities and technology enhancements in the Americas and (iii) annual maintenance capital expenditures.

To appropriately leverage the significant investments made in machinery and equipment in recent years, UNIFI expects to make additional investments in certain growth initiatives, including technology, innovation and sustainability; high-quality strategic partnerships; and supply chain expansion and optimization. These initiatives complement UNIFI's core competencies and are expected to strengthen our relationships with like-minded customers who value a premier supply chain and state-of-the-art equipment that offers technology-driven solutions backed by innovation and sustainability. As a result, these initiatives are expected to increase net sales, gross margins and operating income while also increasing SG&A expenses.

Raw material components represent a significant portion of UNIFI's manufactured products. The prices for the principal raw materials used by UNIFI continually fluctuate, and it is difficult, and often impossible, to predict trends or upcoming developments. During fiscal 2018 and 2017, UNIFI operated in a predominantly increasing raw material cost environment. UNIFI believes those costs were primarily a result of volatility in the crude oil markets. During fiscal 2016, UNIFI operated in a predominantly declining virgin polyester raw material cost environment. UNIFI believes that costs during much of fiscal 2016 were impacted by lower crude oil values, a lack of major unplanned raw material capacity outages and soft global demand for polyester raw materials. The continuing volatility in global crude oil prices is likely to impact UNIFI's polyester and nylon raw material costs. While it is not possible to predict the timing or amount of the impact or whether the recent fluctuations in crude oil prices will stabilize or continue, UNIFI monitors these dynamic factors closely. In addition, UNIFI attempts to pass on to its customers rises in raw material costs but at times it cannot and, when it can, there typically is a time lag that adversely affects UNIFI during one or more periods. Certain customers are subject to an index-based pricing model in which UNIFI's prices are adjusted based on the change in the cost of raw materials in the prior quarter. Pricing adjustments for other customers must be negotiated independently. In ordinary market conditions in which raw material price increases have stabilized and sales volumes are consistent with traditional levels, UNIFI has historically been successful in implementing price adjustments within one or two fiscal quarters of the raw material price increase for its index priced customers and within two fiscal quarters of the raw material price increase for its non-index priced customers.

UNIFI is also impacted by significant fluctuations in the value of the BRL and the Chinese Renminbi ("RMB"), the local currencies for our operations in Brazil and China, respectively. Appreciation of the BRL and RMB improves our net sales and gross profit metrics when the results of our subsidiaries are translated into USDs at comparatively favorable rates. However, such strengthening may cause adverse impacts to the value of USDs held in these foreign jurisdictions. UNIFI expects continued volatility in the value of the BRL and the RMB to impact our key performance metrics, although the magnitude of the impact is dependent upon the significance of the volatility, and it is not possible to predict the timing or amount of the impact.

In fiscal 2018, the BRL weakened versus the USD, while in fiscal 2017, the BRL strengthened versus the USD. In fiscal 2016, UNIFI was negatively impacted by relative weakening of the BRL.

In fiscal 2018, 2017 and 2016, fluctuations in the value of the RMB occurred and were most impactful to certain fiscal quarters in which exchange rates moved dramatically, but were not material to each fiscal year as a whole.

Results of Operations

Fiscal 2018, 2017 and 2016 each consisted of 52 weeks. The following table presents a summary of Net Income:

	Fiscal 2018	Fiscal 2017	Fiscal 2016
Net sales	$ 678,912	$ 647,270	$ 643,637
Cost of sales	592,484	553,106	550,005
Gross profit	86,428	94,164	93,632
Selling, general and administrative expenses	56,077	50,829	47,502
(Benefit) provision for bad debts	(38)	(123)	1,684
Other operating expense (income), net	1,590	(310)	2,248
Operating income	28,799	43,768	42,198
Interest expense, net	4,375	3,061	2,918
Loss on sale of business	—	1,662	—
Equity in earnings of unconsolidated affiliates	(5,787)	(4,230)	(8,963)
Income before income taxes	30,211	43,275	48,243
(Benefit) provision for income taxes	(1,491)	10,898	15,073
Net income including non-controlling interest	31,702	32,377	33,170
Less: net loss attributable to non-controlling interest	—	(498)	(1,245)
Net income attributable to Unifi, Inc.	$ 31,702	$ 32,875	$ 34,415

See Note 25, "Business Segment Information," to the accompanying consolidated financial statements for reconciliations and detail regarding UNIFI's reportable segments, discussion and analysis of which follows below.

Key Performance Indicators and Non-GAAP Financial Measures

UNIFI continuously reviews performance indicators to measure its success. These performance indicators form the basis of management's discussion and analysis included below:

- sales volume and revenue for UNIFI and for each reportable segment;
- gross profit and gross margin for UNIFI and for each reportable segment;
- Net Income and diluted earnings per share ("EPS");
- Segment Profit (Loss), which equals segment gross profit plus segment depreciation expense;
- unit conversion margin, which represents unit net sales price less unit raw material costs, for UNIFI and for each reportable segment;
- working capital, which represents current assets less current liabilities;
- Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), which represents Net Income before net interest expense, income tax expense and depreciation and amortization expense;
- Adjusted EBITDA, which represents EBITDA adjusted to exclude equity in earnings of PAL, key employee transition costs, loss on sale of business and certain other adjustments necessary to understand and compare the underlying results of UNIFI;
- Adjusted Net Income, which represents Net Income calculated under GAAP, adjusted to exclude certain amounts which management believes do not reflect the ongoing operations and performance of UNIFI and/or which are necessary to understand and compare the underlying results of UNIFI, such as key employee transition costs, loss on sale of business, and the approximate after-tax impact of certain income or expense items (as well as specific impacts to the provision for income taxes);
- Adjusted EPS, which represents Adjusted Net Income divided by UNIFI's diluted weighted average common shares outstanding; and
- Adjusted Working Capital (receivables plus inventory, less accounts payable and accrued expenses).

EBITDA, Adjusted EBITDA, Adjusted Net Income, Adjusted EPS and Adjusted Working Capital (collectively, the "non-GAAP financial measures") are not determined in accordance with GAAP and should not be considered a substitute for performance measures determined in accordance with GAAP. The calculations of the non-GAAP financial measures are subjective, based on management's belief as to which items should be included or excluded in order to provide the most reasonable and comparable view of the underlying operating performance of the business. We may, from time to time, modify the amounts used to determine our non-GAAP financial measures. When applicable, management's discussion and analysis includes specific consideration for items that comprise the reconciliations of its non-GAAP financial measures.

We believe that these non-GAAP financial measures better reflect UNIFI's underlying operations and performance and that their use, as operating performance measures, provides investors and analysts with a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets, among otherwise comparable companies.

Management uses Adjusted EBITDA (i) as a measurement of operating performance because it assists us in comparing our operating performance on a consistent basis, as it removes the impact of (a) items directly related to our asset base (primarily depreciation and amortization) and (b) items that we would not expect to occur as a part of our normal business on a regular basis; (ii) for planning purposes, including the preparation of our annual operating budget; (iii) as a valuation measure for evaluating our operating performance and our capacity to incur and service debt, fund capital expenditures and expand our business; and (iv) as one measure in determining the value of other acquisitions and dispositions. Adjusted EBITDA is a key performance metric utilized in the determination of variable compensation. We also believe Adjusted EBITDA is an appropriate supplemental measure of debt service capacity, because it serves as a high-level proxy for cash generated from operations and is relevant to our fixed charge coverage ratio. Equity in earnings of PAL is excluded from Adjusted EBITDA because such results do not reflect our operating performance.

Management uses Adjusted Net Income and Adjusted EPS (i) as measurements of net operating performance because they assist us in comparing such performance on a consistent basis, as they remove the impact of (a) items that we would not expect to occur as a part of our normal business on a regular basis and (b) components of the provision for income taxes that we would not expect to occur as a part of our underlying taxable operations; (ii) for planning purposes, including the preparation of our annual operating budget; and (iii) as measures in determining the value of other acquisitions and dispositions.

Management uses Adjusted Working Capital as an indicator of UNIFI's production efficiency and ability to manage inventory and receivables.

Historically, the non-GAAP financial measures aimed to exclude the impact of the non-controlling interest in Renewables, while the consolidated amounts for such entity were required to be included in UNIFI's financial amounts reported under GAAP.

See "—Non-GAAP Reconciliations" below for reconciliations of non-GAAP metrics to the most directly comparable GAAP metric.

Non-GAAP Reconciliations

EBITDA and Adjusted EBITDA

The reconciliations of the amounts reported under GAAP for Net Income to EBITDA and Adjusted EBITDA are as follows:

	Fiscal 2018	Fiscal 2017	Fiscal 2016
Net income attributable to Unifi, Inc.	$ 31,702	$ 32,875	$ 34,415
Interest expense, net	4,375	3,030	2,884
(Benefit) provision for income taxes	(1,491)	10,898	15,073
Depreciation and amortization expense	22,218	19,851	16,893
EBITDA	56,804	66,654	69,265
Equity in earnings of PAL	(4,533)	(2,723)	(6,074)
EBITDA excluding PAL	52,271	63,931	63,191
Loss on sale of business	—	1,662	—
Key employee transition costs	—	—	2,166
Adjusted EBITDA	$ 52,271	$ 65,593	$ 65,357

Amounts presented in the reconciliation above may not be consistent with amounts included in UNIFI's consolidated financial statements, and such discrepancies are insignificant and integral to the reconciliation.

Adjusted Net Income and Adjusted EPS

The tables below set forth reconciliations of (i) Income before income taxes ("Pre-tax Income"), (Benefit) provision for income taxes ("Tax Impact") and Net Income to Adjusted Net Income and (ii) Diluted EPS to Adjusted EPS.

	Fiscal 2018			
	Pre-tax Income	Tax Impact	Net Income	Diluted EPS
GAAP results	$ 30,211	$ 1,491	$ 31,702	$ 1.70
Reversal of specific tax valuation allowance [(1)]	—	(3,807)	(3,807)	(0.20)
Reversal of specific uncertain tax position [(2)]	—	(3,380)	(3,380)	(0.18)
Adjusted results	$ 30,211	$ (5,696)	$ 24,515	$ 1.32
Diluted weighted average common shares outstanding				18,637

	Fiscal 2017			
	Pre-tax Income	Tax Impact	Net Income	Diluted EPS
GAAP results	$ 43,275	$ (10,898)	$ 32,875	$ 1.78
Loss on sale of business [3]	1,662	—	1,662	0.09
Adjusted results	$ 44,937	$ (10,898)	$ 34,537	$ 1.87
Diluted weighted average common shares outstanding				18,443

	Fiscal 2016			
	Pre-tax Income	Tax Impact	Net Income	Diluted EPS
GAAP results	$ 48,243	$ (15,073)	$ 34,415	$ 1.87
Key employee transition costs [4]	2,330	(673)	1,493	0.08
Adjusted results	$ 50,573	$ (15,746)	$ 35,908	$ 1.95
Diluted weighted average common shares outstanding				18,415

(1) For fiscal 2018, UNIFI reversed a $3,807 valuation allowance on certain historical NOLs in connection with a tax status change unrelated to the federal tax reform legislation signed into law in December 2017.

(2) For fiscal 2018, UNIFI reversed a $3,380 uncertain tax position relating to certain foreign exchange income applicable to fiscal 2015.

(3) For fiscal 2017, the Company incurred a loss on the sale of its investment in Renewables of $1,662. There was no tax impact for this transaction as the loss is non-deductible.

(4) For fiscal 2016, the Company incurred key employee transition costs of $2,330, before tax, for transactions in the United States. The Company estimates the tax benefit of these costs was $673, using a 35% tax rate, with no significant deferred tax components. Including transactions for Renewables, the amounts reflected here consider impacts to the valuation allowances and non-controlling interest.

Review of Results of Operations for Fiscal 2018, 2017 and 2016

Consolidated Overview

The components of Net Income, each component as a percentage of net sales and the percentage increase or decrease over the prior fiscal year amounts are presented in the table below, followed by a discussion and analysis of the significant components of Net Income. Fiscal 2018, 2017 and 2016 were each comprised of 52 weeks.

	Fiscal 2018	% Change	Fiscal 2017	% Change	Fiscal 2016
Net sales	$ 678,912	4.9	$ 647,270	0.6	$ 643,637
Cost of sales	592,484	7.1	553,106	0.6	550,005
Gross profit	86,428	(8.2)	94,164	0.6	93,632
Selling, general and administrative expenses	56,077	10.3	50,829	7.0	47,502
(Benefit) provision for bad debts	(38)	(69.1)	(123)	(107.3)	1,684
Other operating expense (income), net	1,590	(612.9)	(310)	(113.8)	2,248
Operating income	28,799	(34.2)	43,768	3.7	42,198
Interest expense, net	4,375	42.9	3,061	4.9	2,918
Loss on sale of business	—	(100.0)	1,662	100.0	—
Earnings from unconsolidated affiliates	(5,787)	36.8	(4,230)	(52.8)	(8,963)
Income before income taxes	30,211	(30.2)	43,275	(10.3)	48,243
(Benefit) provision for income taxes	(1,491)	(113.7)	10,898	(27.7)	15,073
Net income including non-controlling interest	31,702	(2.1)	32,377	(2.4)	33,170
Less: net loss attributable to non-controlling interest	—	(100.0)	(498)	(60.0)	(1,245)
Net income attributable to Unifi, Inc.	$ 31,702	(3.6)	$ 32,875	(4.5)	$ 34,415

Net Sales

Fiscal 2018 vs Fiscal 2017

Consolidated net sales for fiscal 2018 increased by $31,642, or 4.9%, as compared to fiscal 2017.

Consolidated sales volumes increased 10.7%, attributable to continued growth in sales of Flake and recycled polyester Chip in the Polyester Segment and staple fiber and other PVA products in the International Segment. Sales continue to expand in the International Segment as our PVA portfolio resonates with numerous customers. The increase in sales volumes was partially offset by soft yarn sales in the Polyester and Nylon Segments. We believe the softness in the domestic environment and competition from imports continues to be a challenge for the textile supply chain. Our Nylon Segment results also reflect the current global trend of declines in demand for nylon socks, ladies' hosiery and intimate apparel.

Consolidated average sales prices decreased 5.6%, attributable to disproportionate growth of lower-priced Flake, recycled polyester Chip and staple fiber among the Polyester and International Segments, as well as a decline in higher-priced nylon products. PVA products at the end of fiscal 2018 comprised 45% of consolidated net sales, up from 40% at the end of fiscal 2017. Even with the relative growth in the proportion of PVA sales as a percentage of overall sales, our customers can choose between various solutions, some of which carry higher margins than others. Accordingly, growth in PVA sales does not necessarily translate into higher margins or increased profitability on a consolidated basis.

Fiscal 2017 vs. Fiscal 2016

Consolidated net sales for fiscal 2017 increased by $3,633, or 0.6%, as compared to fiscal 2016.

Consolidated sales volumes increased 11.3%, attributable to continued growth in sales of PVA products in the International Segment and sales of recycled polyester Chip and Flake in the Polyester Segment. In Brazil, despite a volatile economic and political environment, we capitalized on expansion of the synthetic yarn market coupled with market share gain due to the shutdown of a competitor in early calendar 2016. In Asia, the business has grown as brands and retail partners continue to utilize our global model, providing differentiation and innovation of our PVA products to support customers' global supply chains. The increase in International Segment sales volumes was partially offset by softness in the retail markets covered by NAFTA and CAFTA-DR, which adversely impacted the Polyester and Nylon Segments. As store closures and other business transformations plagued the retail industry, domestic apparel brands and retailers continued a cautious ordering level throughout fiscal 2017, which led to sales volume declines for our domestic operations compared to the prior period.

Consolidated average sales prices decreased 10.6% from fiscal 2016 to fiscal 2017, attributable to (i) a mix impact within the Polyester Segment due to a higher proportion of lower-priced product sales, (ii) a mix impact from relative volume weakness for nylon products that typically carry a higher selling price and (iii) an increase in product sales in the International Segment (where the products carry a lower average selling price when compared to domestic programs). The decrease in consolidated sales pricing was partially offset by increased sales of PVA products and a benefit from net favorable foreign currency translation, when comparing fiscal 2017 to fiscal 2016, of approximately $9,800, primarily associated with the comparative increase in value of the BRL. PVA products at the end of fiscal 2017 comprised 40% of consolidated net sales, up from 35% at the end of fiscal 2016.

Gross Profit

Fiscal 2018 vs. Fiscal 2017

Gross profit for fiscal 2018 decreased by $7,736, or 8.2%, as compared to fiscal 2017. For the International Segment, gross profit increased due to sales growth; however, margins were lower due to a less favorable sales mix and pressure from higher raw material costs. For the Polyester Segment, gross profit decreased primarily due to higher raw material costs coupled with a lag time in implementing corresponding selling price increases, lower yarn sales, incremental depreciation and pressure from ramping-up recycling operations as we incurred higher-than-expected costs in our bottle processing facility. For the Nylon Segment, gross profit decreased due in part to a less favorable sales mix and lower sales volumes.

Fiscal 2017 vs. Fiscal 2016

Gross profit for fiscal 2017 increased by $532, or 0.6%, as compared to fiscal 2016, primarily due to (i) the increase in PVA product sales in the International Segment, (ii) an improvement in per-unit manufacturing costs for our subsidiary in Brazil due to increased volumes and (iii) net favorable foreign currency translation of approximately $1,800. These benefits were partially offset as gross profit for the Polyester and Nylon Segments decreased due to (a) lower sales volumes in the Nylon Segment, (b) start-up costs (primarily depreciation) associated with the new bottle processing facility and (c) a lag in implementing selling price adjustments for customers in connection with periodic increases in virgin polyester raw material costs.

Selling, General and Administrative Expenses

The changes in SG&A expenses are as follows:

SG&A expenses for fiscal 2016	$	47,502
Net increase for external service providers		2,386
Increase in supplemental retirement plan expenses		640
Increase due to foreign currency translation		465
Increase in incentive compensation expenses		410
Decrease in sales, franchise and property taxes		(533)
Other net decreases		(41)
SG&A expenses for fiscal 2017	$	50,829

SG&A expenses for fiscal 2017	$	50,829
Increase in domestic salaries and fringe benefits		2,701
Increase in domestic recruiting and incentive compensation		2,578
Incremental international commercial investments		1,368
Increase in domestic marketing expenses		859
Other net increases		1,219
Net decrease for external service providers		(3,477)
SG&A expenses for fiscal 2018	$	56,077

Fiscal 2018 vs. Fiscal 2017

Total SG&A expenses grew throughout fiscal 2018 to support investments in talent, international growth, and development of greater commercial capabilities. The increase compared to fiscal 2017 was primarily a result of (i) an increase in domestic salaries and fringe benefits, as well as an increase in domestic recruiting and incentive compensation due to recent talent acquisition, (ii) growth in the International Segment's commercial efforts, (iii) investments in marketing capabilities and activities to promote UNIFI's brands, and (iv) other net increases for sales commissions and general corporate expenses, partially offset by a net decrease in fees paid to external service providers, primarily for consulting.

In the fourth quarter of fiscal 2018, total SG&A expenses reached a run-rate expected to continue through fiscal 2019. Therefore, UNIFI expects fiscal 2019 SG&A expenses to exceed those of fiscal 2018 as UNIFI incurs the full-year effect of the investments made in fiscal 2018.

Fiscal 2017 vs. Fiscal 2016

Total SG&A expenses were higher for fiscal 2017 compared to fiscal 2016, primarily as a result of (i) a net increase in fees paid to external service providers, including audit, legal, tax, consulting, marketing and branding services, many of which related to strategic planning, talent acquisition and commercial expansion, (ii) an increase in supplemental retirement plan expenses driven by comparatively stronger performance of the equity index benchmark, (iii) an increase in foreign currency translation primarily due to the strengthening of the BRL versus the USD and (iv) an increase in incentive compensation expenses due to favorable performance against established targets, partially offset by a decrease in non-income related taxes and other net decreases.

(Benefit) Provision for Bad Debts

Fiscal 2018 vs. Fiscal 2017

There was no material bad debt activity in fiscal 2018 or fiscal 2017.

Fiscal 2017 vs. Fiscal 2016

(Benefit) provision for bad debts changed favorably from a provision of $1,684 for fiscal 2016 to a benefit of $123 for fiscal 2017. The benefit to fiscal 2017 reflects a net decrease in the reserve against specifically identified customer balances in the Polyester and International Segments.

Other Operating Expense (Income), Net

Fiscal 2018 vs. Fiscal 2017

Other operating expense (income), net changed unfavorably from $310 of income for fiscal 2017 to $1,590 of expense for fiscal 2018. Other operating expense (income), net for fiscal 2018 primarily includes unfavorable foreign currency exchange impacts, while the total for fiscal 2017 primarily includes favorable foreign currency exchange impacts.

Fiscal 2017 vs. Fiscal 2016

Other operating expense (income), net changed favorably from $2,248 of expense for fiscal 2016 to $310 of income for fiscal 2017. Other operating expense (income), net for fiscal 2017 primarily includes favorable foreign currency exchange impacts, while the total for fiscal 2016 primarily includes key employee transition costs.

Interest Expense, Net

Interest expense, net reflected the following components:

	Fiscal 2018	Fiscal 2017	Fiscal 2016
Interest and fees on the ABL Facility	$ 3,926	$ 3,032	$ 2,903
Other interest	832	1,021	885
Subtotal of interest on debt obligations	4,758	4,053	3,788
Amortization of debt financing fees	367	390	407
Mark-to-market adjustment for interest rate swap	—	(260)	(20)
Reclassification adjustment for interest rate swap	—	70	77
Interest capitalized to property, plant and equipment, net	(190)	(675)	(724)
Subtotal of other components of interest expense	177	(475)	(260)
Total interest expense	4,935	3,578	3,528
Interest income	(560)	(517)	(610)
Interest expense, net	$ 4,375	$ 3,061	$ 2,918

Fiscal 2018 vs. Fiscal 2017

Interest on debt obligations increased from fiscal 2017 to fiscal 2018 primarily due to (i) a higher weighted average interest rate resulting from fixing the variable portion of the interest rate on $75,000 of debt principal, beginning in May 2017 and (ii) a general increase in market interest rates on the remaining portion of our variable rate debt.

The change in other components of interest expense from fiscal 2017 to fiscal 2018 was primarily attributable to a fiscal 2017 favorable mark-to-market adjustment for the historical interest rate swap that terminated in May 2017 and less interest capitalized to project costs.

Fiscal 2017 vs. Fiscal 2016

Interest on debt obligations increased from fiscal 2016 to fiscal 2017 in connection with an increase in the weighted average interest rate and an increase in capital lease obligations.

The change in other components of interest expense from fiscal 2016 to fiscal 2017 was primarily attributable to a more favorable change in the mark-to-market adjustment for the historical interest rate swap.

Interest income in each period includes earnings recognized on cash equivalents held globally.

Loss on Sale of Business

On December 23, 2016, UNIFI, through a wholly owned foreign subsidiary, entered into an agreement to sell its 60% equity ownership interest in Renewables to its existing third-party joint venture partner for $500 in cash and release of certain debt obligations. In connection with the transaction, UNIFI recognized a loss on sale of business of $1,662.

Earnings from Unconsolidated Affiliates

The components of earnings from unconsolidated affiliates are as follows:

	Fiscal 2018	Fiscal 2017	Fiscal 2016
Earnings from PAL	$ (4,533)	$ (2,723)	$ (6,074)
Earnings from nylon joint ventures	(1,254)	(1,507)	(2,889)
Total equity in earnings of unconsolidated affiliates	$ (5,787)	$ (4,230)	$ (8,963)
As a percentage of consolidated income before income taxes	19.2%	9.8%	18.6%

Fiscal 2018 vs. Fiscal 2017

UNIFI's 34% share of PAL's earnings increased from $2,723 in fiscal 2017 to $4,533 in fiscal 2018. The increase was primarily attributable to improved sales and operating margins and lower depreciation expense. The earnings from the nylon joint ventures experienced a decrease from the prior period primarily due to softness in the nylon market, consistent with the results of the Nylon Segment, as well as higher raw material costs.

Fiscal 2017 vs. Fiscal 2016

UNIFI's 34% share of PAL's earnings decreased from $6,074 in fiscal 2016 to $2,723 in fiscal 2017. The decrease was primarily attributable to lower volumes and operating margins, mostly as a result of a challenging domestic cotton market. The earnings from the nylon joint ventures experienced a decrease from the prior period primarily due to higher raw material costs and softness in the nylon markets.

(Benefit) Provision for Income Taxes

The change in consolidated income taxes is as follows:

	Fiscal 2018	Fiscal 2017	Fiscal 2016
Income before income taxes	$ 30,211	$ 43,275	$ 48,243
(Benefit) provision for income taxes	(1,491)	10,898	15,073
Effective tax rate	(4.9)%	25.2%	31.2%

On December 22, 2017, the U.S. government enacted comprehensive tax legislation H.R. 1, formerly known as the Tax Cuts and Jobs Act. H.R. 1 includes significant changes to existing tax law, including a permanent reduction to the U.S. federal corporate income tax rate from 35% to 21%, a one-time mandatory deemed repatriation of foreign earnings and profits, deductions, credits and business-related exclusions.

UNIFI has recorded all known and estimable impacts of H.R. 1 that are effective for fiscal 2018. Future adjustments to provisional numbers will be recorded as discrete adjustments to income tax expense in the period in which those adjustments become estimable and/or are finalized. UNIFI continues to review the anticipated impacts of the global intangible low-taxed income (“GILTI”), foreign derived intangible income (“FDII”) deduction, and base erosion anti-abuse tax (“BEAT”), which are not effective until fiscal 2019. UNIFI has not recorded any impacts associated with either GILTI, FDII or BEAT, but these provisions are expected to adversely impact the fiscal 2019 effective tax rate.

Fiscal 2018 vs. Fiscal 2017

The effective tax rate for fiscal 2018 benefited from, among other things, (i) the release of uncertain tax positions due to settlement with tax authorities, (ii) the deferred tax benefit resulting from the revaluation of UNIFI’s domestic deferred tax balances for the lower U.S. statutory rate (including valuation allowances on domestic deferred tax assets), (iii) the release of a valuation allowance on certain NOLs outside the U.S. consolidated group, and (iv) a reduction in the valuation allowance related to foreign NOLs utilized in fiscal 2018. These benefits were partially offset by (a) the one-time deemed mandatory repatriation of foreign earnings, net of foreign tax credits, (b) withholding taxes on repatriation of foreign earnings and (c) nondeductible compensation.

The effective tax rate for fiscal 2017 benefited from, among other things, (i) a lower overall effective tax rate for UNIFI’s foreign earnings (reflecting free-trade zone sales in El Salvador and lower statutory tax rates in both Brazil and China), (ii) increased research and development credits, (iii) a decrease in the valuation allowance reflecting the recognition of lower taxable income versus book income for UNIFI’s investment in PAL (for which UNIFI maintains a full valuation allowance) and (iv) a reduction in the valuation allowance related to foreign NOLs utilized in 2017. These benefits were partially offset by (a) a reduction in the domestic production activities deduction due to the carryback of certain losses, (b) an increase in uncertain tax positions and (c) withholding taxes on repatriation of foreign earnings.

The favorable change in the effective tax rate from fiscal 2017 to fiscal 2018 was primarily attributable to (i) the release of uncertain tax positions due to settlement with tax authorities and (ii) the release of a valuation allowance on certain NOLs outside the U.S. consolidated group.

Fiscal 2017 vs. Fiscal 2016

The effective tax rate for fiscal 2017 benefited from, among other things, (i) a lower overall effective tax rate for UNIFI’s foreign earnings (reflecting free-trade zone sales in El Salvador and lower statutory tax rates in both Brazil and China), (ii) increased research and development credits, (iii) a decrease in the valuation allowance reflecting the recognition of lower taxable income versus book income for UNIFI’s investment in PAL (for which UNIFI maintains a full valuation allowance) and (iv) a reduction in the valuation allowance related to foreign NOLs utilized in 2017. These benefits were partially offset by (a) a reduction in the domestic production activities deduction due to the carryback of certain losses, (b) an increase in uncertain tax positions and (c) withholding taxes on repatriation of foreign earnings.

The effective tax rate for fiscal 2016 benefited from, among other things, (i) a lower overall effective tax rate for UNIFI’s foreign earnings (reflecting free-trade zone sales in El Salvador and lower statutory tax rates in both Brazil and China), (ii) a decrease in the valuation allowance reflecting the recognition of lower taxable income versus book income for UNIFI’s investment in PAL (for which UNIFI maintains a full valuation allowance) and (iii) a reduction in the valuation allowance related to foreign tax credits utilized in 2016. These benefits were partially offset by (a) utilization of foreign tax credits, (b) an increase in the valuation allowance for NOLs, including Renewables, for which no tax benefit could be recognized, (c) state and local taxes net of the assumed federal benefit and (d) an increase in uncertain tax positions.

The favorable change in the effective tax rate from fiscal 2016 to fiscal 2017 was primarily attributable to both a greater mix of foreign earnings and increased research and development credits in fiscal 2017.

Net Income

Fiscal 2018 vs. Fiscal 2017

Net Income for fiscal 2018 was $31,702, or $1.70 per diluted share, compared to $32,875, or $1.78 per diluted share, for fiscal 2017. The decrease was primarily attributable to (i) higher operating expenses reducing gross profit, (ii) an increase in SG&A

expenses, (iii) higher interest expense and (iv) unfavorable foreign currency exchange impacts, partially offset by (a) a lower effective tax rate, (b) higher earnings from PAL and (c) a loss on sale of business in fiscal 2017.

Fiscal 2017 vs. Fiscal 2016

Net Income for fiscal 2017 was $32,875, or $1.78 per diluted share, compared to $34,415, or $1.87 per diluted share, for fiscal 2016. The decrease was primarily attributable to (i) lower earnings from equity affiliates and (ii) an increase in SG&A expenses, partially offset by (a) the recognition of a benefit for bad debts, (b) a lower effective tax rate and (c) favorable foreign currency exchange impacts.

Segment Overview

Following is a discussion and analysis of the revenue and profitability performance of UNIFI's reportable segments for fiscal 2018, 2017 and 2016.

Polyester Segment

The components of Segment Profit, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts for the Polyester Segment are as follows:

	Fiscal 2018	% Change	Fiscal 2017	% Change	Fiscal 2016
Net sales	$ 364,169	2.4	$ 355,740	(7.2)	$ 383,167
Cost of sales	333,078	5.5	315,655	(5.4)	333,638
Gross profit	31,091	(22.4)	40,085	(19.1)	49,529
Depreciation expense	15,893	14.2	13,921	24.4	11,188
Segment Profit	$ 46,984	(13.0)	$ 54,006	(11.1)	$ 60,717
Gross margin	8.5%		11.3%		12.9%
Segment margin	12.9%		15.2%		15.8%
Segment net sales as a percentage of consolidated amount	53.6%		55.0%		59.5%
Segment Profit as a percentage of consolidated amount	44.1%		48.2%		56.0%

The changes in net sales for the Polyester Segment are as follows:

Net sales for fiscal 2016	$ 383,167
Decrease in average selling price and change in sales mix	(33,651)
Increase in sales volumes	6,224
Net sales for fiscal 2017	$ 355,740
Net sales for fiscal 2017	$ 355,740
Increase in sales volumes	15,828
Decrease in average selling price and change in sales mix	(7,399)
Net sales for fiscal 2018	$ 364,169

The increase in net sales for the Polyester Segment from fiscal 2017 to fiscal 2018 was primarily attributable to higher sales of Flake, POY and recycled polyester Chip. However, these changes also drove a decline in the Polyester Segment average selling price, while lower sales volumes of higher-priced textured, dyed and beamed yarns also negatively impacted the sales mix.

The decrease in net sales for the Polyester Segment from fiscal 2016 to fiscal 2017 was attributable to lower sales prices primarily as a result of an unfavorable change in sales mix due to lower sales volumes of higher-priced textured, dyed and beamed yarns and higher sales volumes of lower-priced Flake, recycled polyester Chip and POY.

The changes in Segment Profit for the Polyester Segment are as follows:

Segment Profit for fiscal 2016	$ 60,717
Net decrease in underlying margins	(7,697)
Increase in sales volumes	986
Segment Profit for fiscal 2017	$ 54,006
Segment Profit for fiscal 2017	$ 54,006
Net decrease in underlying margins	(9,425)
Increase in sales volumes	2,403
Segment Profit for fiscal 2018	$ 46,984

The decrease in Segment Profit for the Polyester Segment from fiscal 2017 to fiscal 2018 was primarily attributable to raw material cost pressures that were not effectively offset by timely corresponding selling price increases, along with the unfavorable sales mix shift towards lower-margin products discussed above in the net sales analysis. In addition, we incurred higher-than-expected costs in our bottle processing operation during fiscal 2018. UNIFI does attempt to pass on to its customers rises in raw material costs but at times it cannot and, when it can, there typically is a time lag that adversely affects UNIFI and its margins during one or more periods. Certain customers are subject to an index-based pricing model in which UNIFI's prices are adjusted based on the change in the cost of raw materials in the prior quarter. Pricing adjustments for other customers must be negotiated independently. In ordinary market conditions in which raw material price increases have stabilized and sales volumes are consistent with traditional levels, UNIFI has historically been successful in implementing price adjustments within one to two fiscal quarters of the raw material price increase for its index priced customers and within two fiscal quarters of the raw material price increase for its non-index priced customers.

The decrease in Segment Profit for the Polyester Segment from fiscal 2016 to fiscal 2017 was attributable to (i) the impact of an unfavorable change in sales mix, as described in the net sales analysis above and (ii) the impact of periodic increases in virgin polyester raw material costs with an inherent delay in selling price adjustments, despite an increase in sales volumes.

Nylon Segment

The components of Segment Profit, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts for the Nylon Segment are as follows:

	Fiscal 2018	% Change	Fiscal 2017	% Change	Fiscal 2016
Net sales	$ 102,639	(8.9)	$ 112,704	(14.4)	$ 131,715
Cost of sales	92,155	(8.4)	100,633	(11.7)	113,906
Gross profit	10,484	(13.1)	12,071	(32.2)	17,809
Depreciation expense	2,197	3.4	2,125	11.9	1,899
Segment Profit	$ 12,681	(10.7)	$ 14,196	(28.0)	$ 19,708
Gross margin	10.2%		10.7%		13.5%
Segment margin	12.4%		12.6%		15.0%
Segment net sales as a percentage of consolidated amount	15.1%		17.4%		20.5%
Segment Profit as a percentage of consolidated amount	11.9%		12.7%		18.2%

The changes in net sales for the Nylon Segment are as follows:

Net sales for fiscal 2016	$ 131,715
Decrease in sales volumes	(15,973)
Decrease in average selling price and change in sales mix	(3,038)
Net sales for fiscal 2017	$ 112,704
Net sales for fiscal 2017	$ 112,704
Decrease in sales volumes	(9,823)
Decrease in average selling price and change in sales mix	(242)
Net sales for fiscal 2018	$ 102,639

The decrease in net sales for the Nylon Segment from fiscal 2017 to fiscal 2018 was primarily attributable to (i) lower sales volumes as a result of continued soft domestic market conditions in which nylon socks, ladies' hosiery and intimates have experienced demand declines and (ii) a lower-priced sales mix.

The decrease in net sales for the Nylon Segment from fiscal 2016 to fiscal 2017 was attributable to (i) lower sales volumes as a result of soft domestic market conditions in which nylon socks, ladies' hosiery and intimates have experienced demand declines and (ii) the transition of certain PVA programs from the Nylon Segment to the International Segment to meet customer-specific supply chain requirements. The shift of PVA sales to the International Segment also adversely impacted the average selling price and sales mix.

The changes in Segment Profit for the Nylon Segment are as follows:

Segment Profit for fiscal 2016	$	19,708
Decrease in underlying margins		(3,122)
Decrease in sales volumes		(2,390)
Segment Profit for fiscal 2017	$	14,196
Segment Profit for fiscal 2017	$	14,196
Decrease in sales volumes		(1,237)
Decrease in underlying margins		(278)
Segment Profit for fiscal 2018	$	12,681

The decrease in Segment Profit for the Nylon Segment from fiscal 2017 to fiscal 2018 was attributable to lower sales volumes and a less profitable sales mix.

The decrease in Segment Profit for the Nylon Segment from fiscal 2016 to fiscal 2017 was attributable to (i) the shift of higher-margin PVA sales to the International Segment and (ii) the impact of lower sales on production volumes, driving higher unit manufacturing costs due to lower capacity utilization.

International Segment

The components of Segment Profit, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts for the International Segment are as follows:

	Fiscal 2018	% Change	Fiscal 2017	% Change	Fiscal 2016
Net sales	$ 207,884	19.7	$ 173,686	41.7	$ 122,554
Cost of sales	163,300	24.6	131,087	37.0	95,666
Gross profit	44,584	4.7	42,599	58.4	26,888
Depreciation expense	1,648	47.3	1,119	26.4	885
Segment Profit	$ 46,232	5.8	$ 43,718	57.4	$ 27,773
Gross margin	21.4%		24.5%		21.9%
Segment margin	22.2%		25.2%		22.7%
Segment net sales as a percentage of consolidated amount	30.6%		26.8%		19.0%
Segment Profit as a percentage of consolidated amount	43.4%		39.0%		25.6%

The changes in net sales for the International Segment are as follows:

Net sales for fiscal 2016	$	122,554
Increase in sales volumes		50,235
Net favorable foreign currency translation effects (BRL and RMB)		9,636
Decrease in average selling price and change in sales mix		(8,739)
Net sales for fiscal 2017	$	173,686
Net sales for fiscal 2017	$	173,686
Increase in sales volumes		41,102
Decrease in average selling price and change in sales mix		(6,779)
Net unfavorable foreign currency translation effects (BRL and RMB)		(125)
Net sales for fiscal 2018	$	207,884

The increase in net sales for the International Segment from fiscal 2017 to fiscal 2018 was attributable to higher sales volumes at our Asian subsidiaries due to growth in our REPREVE® portfolios, particularly staple fiber and recycled polyester Chip, partially offset by (i) a decrease in the average selling price in Asia due to a greater mix of lower-priced product sales and (ii) net unfavorable foreign currency translation as the BRL weakened while the RBM strengthened against the USD during fiscal 2018.

The increase in net sales for the International Segment from fiscal 2016 to fiscal 2017 was attributable to (i) higher sales volumes at our Brazilian subsidiary due to increased demand for synthetic yarns, including air-covered PVA products for use in applications such as stretch denim, (ii) higher sales volumes at our Chinese subsidiary, which benefited from growth of PVA sales and the transition of certain programs from the Nylon Segment and (iii) favorable foreign currency translation due to the strengthening of the BRL. These benefits were partially offset by a decrease in the average selling price in China due to (a) a greater mix of lower-priced staple fiber sales to several yarn manufacturers for a PVA apparel program and (b) unfavorable foreign currency translation from the RMB.

The RMB weighted average exchange rate was 6.45 RMB/USD, 6.81 RMB/USD and 6.50 RMB/USD for fiscal 2016, 2017 and 2018, respectively. The BRL weighted average exchange rate was 3.67 BRL/USD, 3.22 BRL/USD and 3.31 BRL/USD for fiscal 2016, 2017 and 2018, respectively.

The changes in Segment Profit for the International Segment are as follows:

Segment Profit for fiscal 2016	$	27,773
Increase in sales volumes		11,349
Improvements in underlying margins		2,664
Net favorable foreign currency translation effects (BRL and RMB)		1,932
Segment Profit for fiscal 2017	$	43,718
Segment Profit for fiscal 2017	$	43,718
Increase in sales volumes		10,343
Decrease in underlying margins		(7,829)
Segment Profit for fiscal 2018	$	46,232

The increase in Segment Profit for the International Segment from fiscal 2017 to fiscal 2018 was attributable to improved sales volumes, partially offset by a greater mix of lower-margin product sales in Asia, particularly Chip and staple fiber. There was no significant impact from foreign currency translation as the RMB strengthened versus the USD while the BRL weakened versus the USD.

The increase in Segment Profit for the International Segment from fiscal 2016 to fiscal 2017 was attributable to (i) increased sales volumes, as described in the net sales analysis above, (ii) improved margins in Brazil due to a mix of higher-margin manufactured products (including PVA products) and improved cost efficiency associated with greater production volumes and (iii) net favorable foreign currency translation effects due to the strengthening of the BRL versus the USD.

Liquidity and Capital Resources

UNIFI's primary capital requirements are for working capital, capital expenditures, debt service and stock repurchases. UNIFI's primary sources of capital are cash generated from operations and borrowings available under the ABL Revolver (as defined below) of its credit facility. For fiscal 2018, cash generated from operations was $37,335, and at June 24, 2018, excess availability under the ABL Revolver was $53,245.

As of June 24, 2018, all of UNIFI's $131,207 of debt obligations were guaranteed by certain of its domestic operating subsidiaries, while nearly all of UNIFI's cash and cash equivalents were held by its foreign subsidiaries. Cash and cash equivalents held by such other subsidiaries may not be presently available to fund UNIFI's domestic capital requirements, including its domestic debt obligations. UNIFI employs a variety of tax planning and financing strategies to ensure that its worldwide cash is available in the locations where it is needed. The following table presents a summary of cash and cash equivalents, borrowings available under financing arrangements, liquidity, working capital and total debt obligations as of June 24, 2018 for domestic operations compared to foreign operations:

	Domestic		Foreign		Total	
Cash and cash equivalents	$	11	$	44,879	$	44,890
Borrowings available under financing arrangements		53,245		—		53,245
Liquidity	$	53,256	$	44,879	$	98,135
Working capital	$	82,028	$	107,263	$	189,291
Total debt obligations	$	131,207	$	—	$	131,207

As of June 24, 2018, U.S. income taxes and foreign withholding taxes were not provided for on a cumulative total of approximately $113,855 of undistributed earnings of UNIFI's foreign subsidiaries. UNIFI intends to reinvest these earnings indefinitely in its foreign subsidiaries. If at a later date, these earnings were to be repatriated to the United States, UNIFI would be required to accrue and pay state income and/or foreign local withholding taxes on these amounts. Determination of the amount of any unrecognized deferred tax liability on these undistributed earnings is not practicable. UNIFI will continue to assess the existing circumstances, including any changes in tax laws, and reevaluate the necessity for any deferred tax liability.

Debt Obligations

Following is a summary of UNIFI's debt obligations:

	Scheduled Maturity Date	Weighted Average Interest Rate as of June 24, 2018	Principal Amounts as of June 24, 2018	Principal Amounts as of June 25, 2017
ABL Revolver	March 2020	4.1%	$ 28,100	$ 9,300
ABL Term Loan (1)	March 2020	3.7%	85,000	95,000
Capital lease obligations	(2)	3.8%	18,107	25,168
Total debt			131,207	129,468
Current portion of capital lease obligations			(6,996)	(7,060)
Current portion of other long-term debt			(10,000)	(10,000)
Unamortized debt issuance costs			(658)	(1,026)
Total long-term debt			$ 113,553	$ 111,382

(1) Includes the effects of interest rate swaps.
(2) Scheduled maturity dates for capital lease obligations range from July 2018 to November 2027.

ABL Facility

On March 26, 2015, Unifi, Inc. and its subsidiary, Unifi Manufacturing, Inc. ("UMI"), entered into an Amended and Restated Credit Agreement (as subsequently amended, the "Amended Credit Agreement") for a $200,000 senior secured credit facility (the "ABL Facility") with a syndicate of lenders. The ABL Facility consists of a $100,000 revolving credit facility (the "ABL Revolver") and a term loan that can be reset up to a maximum amount of $100,000, once per fiscal year, if certain conditions are met (the "ABL Term Loan"). Such principal increase occurred in November 2016 as discussed in further detail below. The ABL Facility has a maturity date of March 26, 2020.

The ABL Facility is secured by a first-priority perfected security interest in substantially all owned property and assets (together with all proceeds and products) of Unifi, Inc., UMI and certain subsidiary guarantors (collectively, the "Loan Parties"). It is also secured by a first-priority security interest in all (or 65% in the case of certain first-tier controlled foreign corporations, as required by the lenders) of the stock of (or other ownership interests in) each of the Loan Parties (other than Unifi, Inc.) and certain subsidiaries of the Loan Parties, together with all proceeds and products thereof.

If excess availability under the ABL Revolver falls below the defined Trigger Level, a financial covenant requiring the Loan Parties to maintain a fixed charge coverage ratio on a monthly basis of at least 1.05 to 1.00 becomes effective. The Trigger Level as of June 24, 2018 was $23,125. In addition, the ABL Facility contains restrictions on particular payments and investments, including certain restrictions on the payment of dividends and share repurchases. Subject to specific provisions, the ABL Term Loan may be prepaid at par, in whole or in part, at any time before the maturity date, at UNIFI's discretion.

ABL Facility borrowings bear interest at the London Interbank Offer Rate ("LIBOR") plus an applicable margin of 1.5% to 2.0%, or the Base Rate (as defined below) plus an applicable margin of 0.5% to 1.0%, with interest currently being paid on a monthly basis. The applicable margin is based on (i) the excess availability under the ABL Revolver and (ii) the consolidated leverage ratio, calculated as of the end of each fiscal quarter. The Base Rate means the greater of (a) the prime lending rate as publicly announced from time to time by Wells Fargo Bank, National Association, (b) the Federal Funds Rate plus 0.5% and (c) LIBOR plus 1.0%. UNIFI's ability to borrow under the ABL Revolver is limited to a borrowing base equal to specified percentages of eligible accounts receivable and inventory and is subject to certain conditions and limitations. There is also a monthly unused line fee under the ABL Revolver of 0.25%.

As of June 24, 2018, UNIFI was in compliance with all financial covenants in the Amended Credit Agreement and the excess availability under the ABL Revolver was $53,245. At June 24, 2018, the fixed charge coverage ratio was 0.93 to 1.00 and UNIFI had $400 of standby letters of credit, none of which have been drawn upon. Management maintains the capability to quickly and easily improve the fixed charge coverage ratio utilizing existing cash and cash equivalents.

On November 18, 2016, pursuant to the principal reset conditions of the Amended Credit Agreement, UNIFI chose to reset the ABL Term Loan principal balance to $100,000. Following this principal reset, the ABL Term Loan is subject to quarterly amortizing payments of $2,500.

Capital Lease Obligations

There were no capital leases established in fiscal 2018. During fiscal 2017, UNIFI recorded capital leases with an aggregate present value of $14,070. The weighted average interest rate for these capital leases is 3.9%.

Scheduled Debt Maturities

The following table presents the scheduled maturities of UNIFI's outstanding debt obligations for the following five fiscal years and thereafter:

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Thereafter
ABL Revolver	$ —	$ 28,100	$ —	$ —	$ —	$ —
ABL Term Loan	10,000	75,000	—	—	—	—
Capital lease obligations	6,996	5,519	2,624	2,417	91	460
Total	$ 16,996	$ 108,619	$ 2,624	$ 2,417	$ 91	$ 460

Further discussion of the terms and conditions of the Amended Credit Agreement and the Company's existing indebtedness is outlined in Note 12, "Long-Term Debt," to the accompanying consolidated financial statements.

Working Capital

The following table presents the components of working capital and the reconciliation from working capital to Adjusted Working Capital:

	Fiscal 2018	Fiscal 2017
Cash and cash equivalents	$ 44,890	$ 35,425
Receivables, net	86,273	81,121
Inventories	126,311	111,405
Other current assets	16,820	15,686
Accounts payable	(48,970)	(41,499)
Accrued expenses	(17,720)	(16,144)
Other current liabilities	(18,313)	(18,411)
Working capital	$ 189,291	$ 167,583
Less: Cash and cash equivalents	(44,890)	(35,425)
Less: Other current assets	(16,820)	(15,686)
Less: Other current liabilities	18,313	18,411
Adjusted Working Capital	$ 145,894	$ 134,883

Working capital increased from $167,583 as of June 25, 2017 to $189,291 as of June 24, 2018, while Adjusted Working Capital increased from $134,883 to $145,894. Working capital and Adjusted Working Capital are within the range of management's expectations based on the composition of the underlying business and global structure.

The increase in cash and cash equivalents reflects the strong performance of our international subsidiaries and the intent to leave cash available in foreign jurisdictions for future expansion. The increases in receivables, net and inventories were both attributable to sales growth from our international operations and the impact of higher raw material costs. The increase in other current assets related to an increase in anticipated income tax refunds. The increase in accounts payable was primarily attributable to higher raw material costs and the timing of purchase activity. The increase in accrued expenses was primarily attributable to additional post-employment accruals. The decrease in other current liabilities was insignificant.

Capital Projects

In fiscal 2018, we invested approximately $25,000 in capital projects, which included (i) completing the fourth production line in the REPREVE® Recycling Center, (ii) making further improvements in production capabilities and technology enhancements in the Americas and (iii) annual maintenance capital expenditures.

In fiscal 2017, we invested approximately $40,000 in capital projects (including amounts funded by a construction financing arrangement). The most significant investment was the completion of our REPREVE® Bottle Processing Center at UNIFI's existing facility in Reidsville, North Carolina. This bottle processing plant is expected to process 75 million pounds of Flake annually, in support of our growing focus on recycling and sustainability, especially with the REPREVE® brand and its expanding portfolio. UNIFI also made investments towards (i) completing the fourth production line in the REPREVE® Recycling Center, (ii) installing a bi-component spinning line to produce high-value yarns and (iii) additional machinery modifications to meet the ever-changing demands of the market, in support of the PVA product portfolio. These investments were primarily for the Polyester Segment.

In fiscal 2016, we invested approximately $60,000 in capital projects, as we (i) began construction of the bottle processing plant at our existing facility in Reidsville, North Carolina, (ii) commenced an expansion of our REPREVE® Recycling Center, (iii) enhanced our automation systems in our Yadkinville, North Carolina POY facility to handle the increasingly complex product mix, (iv) converted more machinery to accommodate smaller production runs and (v) further increased our air-jet texturing capacity to capture more market share through our position as the leading technical and quality producer. These initiatives were designed to support our mix enrichment strategies, while also improving our ability to service customers.

In fiscal 2019, UNIFI expects to invest an additional $25,000 in capital projects, which include (i) making further improvements in production capabilities and technology enhancements in the Americas and (ii) annual maintenance capital expenditures. UNIFI will seek to ensure maintenance capital expenditures are sufficient to allow continued production at high efficiencies.

The total amount ultimately invested for fiscal 2019 could be more or less than the currently estimated amount depending on the timing and scale of contemplated initiatives, and is expected to be funded by a combination of cash from operations and borrowings under the ABL Revolver. UNIFI expects the recent capital projects to provide benefits to future profitability. The additional assets from these capital projects consist primarily of machinery and equipment and building additions.

Stock Repurchase Program

On April 23, 2014, UNIFI announced that the Board had approved the SRP under which UNIFI is authorized to acquire up to $50,000 of its common stock. The SRP has no stated expiration or termination date, and there is no time limit or specific time frame otherwise for repurchases. Under the SRP, purchases may be completed in accordance with SEC regulations at prevailing market prices, through open market purchases or privately negotiated transactions, at such times and prices and in such manner as determined by management, subject to market conditions, applicable legal requirements, contractual obligations and other factors. Repurchases, if any, are expected to be financed through cash generated from operations and borrowings under the ABL Revolver, and are subject to applicable limitations and restrictions as set forth in the ABL Facility. UNIFI may discontinue repurchases at any time that management determines additional purchases are not beneficial or advisable.

UNIFI did not purchase any of its common stock during fiscal 2017 and 2018. As of June 24, 2018, UNIFI had repurchased a total of 806 shares, at an average price of $27.79 (for a total of $22,409, inclusive of commission costs) pursuant to the SRP, and $27,603 remained available for repurchases.

Liquidity Summary

UNIFI has met its historical liquidity requirements for working capital, capital expenditures, debt service requirements and other operating needs from its cash flows from operations and available borrowings. UNIFI believes that its existing cash balances, cash provided by operating activities, and borrowings available under the ABL Revolver will enable UNIFI to comply with the terms of its indebtedness and meet its foreseeable liquidity requirements. Domestically, UNIFI's cash balances, cash provided by operating activities and borrowings available under the ABL Revolver continue to be sufficient to fund UNIFI's domestic operating activities as well as cash commitments for its investing and financing activities. For its existing foreign operations, UNIFI expects its existing cash balances and cash provided by operating activities will provide the needed liquidity to fund its foreign operating activities and any foreign investing activities, such as future capital expenditures. However, expansion of our foreign operations may require cash sourced from our domestic subsidiaries.

Cash Provided by Operating Activities

The significant components of net cash provided by operating activities are summarized below. UNIFI analyzes net cash provided by operating activities utilizing the major components of the statements of cash flows prepared under the indirect method.

	Fiscal 2018	Fiscal 2017	Fiscal 2016
Net income including non-controlling interest	$ 31,702	$ 32,377	$ 33,170
Depreciation and amortization expense	22,585	20,368	17,528
Equity in earnings of unconsolidated affiliates	(5,787)	(4,230)	(8,963)
Loss on sale of business	—	1,662	—
Non-cash compensation expense	5,823	2,983	2,501
Deferred income taxes	(5,797)	6,886	5,983
Subtotal	48,526	60,046	50,219
Distributions received from unconsolidated affiliates	12,236	2,322	4,732
Other changes	(23,427)	(16,306)	1,024
Net cash provided by operating activities	$ 37,335	$ 46,062	$ 55,975

Fiscal 2018 Compared to Fiscal 2017

The decrease in net cash provided by operating activities from fiscal 2017 to fiscal 2018 was primarily due to the adverse impact on gross profit and working capital of higher raw material costs and an increase in SG&A expenses. However, UNIFI received $9,236 in distributions from PAL in fiscal 2018, a significant increase from fiscal 2017.

Fiscal 2017 Compared to Fiscal 2016

The decrease in net cash provided by operating activities from fiscal 2016 to fiscal 2017 was primarily due to an increase in working capital in fiscal 2017, as indicated in *Other changes* in the table above. Such increase in working capital was primarily attributable to an increase in inventories due to comparatively higher international sales and an increase in income taxes receivable. Also, as PAL's performance was comparatively weaker, routine tax distributions received by UNIFI declined accordingly by approximately $2,400.

These impacts were partially offset by higher cash earnings of $60,046 in fiscal 2017 versus $50,219 in fiscal 2016 (as indicated in the *Subtotal* in the table above which reconciles for changes in the listed non-cash activity), which were primarily attributable to higher cash gross profit and lower income taxes.

Cash Used in Investing Activities and Provided by Financing Activities

Fiscal 2018

UNIFI utilized $26,875 for net investing activities and was provided $1,303 from net financing activities during fiscal 2018. Significant investing activities included $25,029 for capital expenditures, which primarily relate to the completion of the fourth production line in the REPREVE® Recycling Center, along with other capital expenditures to improve UNIFI's manufacturing flexibility and capability to produce PVA products in the Americas. Significant financing activities included $8,800 for net borrowings against the ABL Facility and $7,060 for payments on capital lease obligations.

Fiscal 2017

UNIFI utilized $33,382 for net investing activities and was provided $6,504 from net financing activities during fiscal 2017. Significant investing activities included $33,190 for capital expenditures, which primarily relate to the addition of machinery, equipment and infrastructure for UNIFI's REPREVE® Bottle Processing Center at our existing facility in Reidsville, North Carolina, which started production in August 2016, along with other capital expenditures to improve UNIFI's manufacturing flexibility and capability to produce PVA products and to increase the capacity of our REPREVE® Recycling Center. Significant financing activities included $7,850 for net borrowings against the ABL Facility and $4,700 for payments on capital lease obligations, partially offset by $2,787 of proceeds from stock option exercises.

Fiscal 2016

UNIFI utilized $52,892 for net investing activities and was provided $3,642 from net financing activities during fiscal 2016. Significant investing activities included $52,337 for capital expenditures, which primarily relate to the addition of machinery, equipment and infrastructure for UNIFI's new plastic bottle processing plant at our existing facility in Reidsville, North Carolina, along with other capital expenditures to improve UNIFI's manufacturing flexibility and capability to produce PVA products and to increase the capacity of our REPREVE® Recycling Center. Significant financing activities included (i) $9,325 for net borrowings against the ABL Facility and (ii) $4,000 borrowed against a term loan supplement, partially offset by (a) $4,090 for payments on capital lease obligations and (b) $6,211 for stock repurchases.

Contractual Obligations

As of June 24, 2018, UNIFI's contractual obligations consisted of the following:

	Cash Payments Due By Period				
Description of Commitment	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
ABL Revolver	$ 28,100	$ —	$ 28,100	$ —	$ —
ABL Term Loan	85,000	10,000	75,000	—	—
Capital lease obligations	18,107	6,996	8,143	2,508	460
Contingent consideration (1)	529	529	—	—	—
Other long-term obligations (2)	4,536	1,034	110	61	3,331
Subtotal	$ 136,272	$ 18,559	$ 111,353	$ 2,569	$ 3,791
Interest on long-term debt and other obligations (3)	8,112	5,054	2,912	96	50
Operating leases	5,835	2,281	3,172	359	23
Capital purchase obligations (4)	5,600	5,600	—	—	—
Purchase obligations (5)	31,611	13,449	13,380	4,414	368
Total cash payments by period	$ 187,430	$ 44,943	$ 130,817	$ 7,438	$ 4,232

(1) Contingent consideration payments are reflected at present value based on the expected future payments used in the underlying fair value determination.
(2) Other long-term obligations does not include an estimate of the timing of potential tax payments related to uncertain tax positions; therefore, $131 has been excluded from the table above. Other long-term obligations includes a post-employment plan liability for which the $3,045 non-current portion of cash payments is reflected beyond 5 years.
(3) Interest payments on variable rate debt instruments are calculated for future periods using interest rates and terms in effect at June 24, 2018.
(4) Capital purchase obligations relate to contracts with vendors for the construction or purchase of assets.
(5) Purchase obligations primarily consist of utility, software and other service agreements.

For purposes of the above table, purchase obligations are defined as agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

As of June 24, 2018, UNIFI's open purchase orders totaled approximately $56,800 and were expected to be settled in fiscal 2019. These open purchase orders are in the ordinary course of business for the procurement of (i) raw materials used in the production of inventory, (ii) certain consumables and outsourced services used in UNIFI's manufacturing processes and (iii) selected finished goods for resale sourced from third-party suppliers.

As of June 24, 2018, UNIFI had $400 of standby letters of credit, none of which have been drawn upon.

Recent Accounting Pronouncements

Issued and Pending Adoption

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent ASUs were issued to provide clarity and defer the effective date of the new guidance. The new revenue recognition guidance eliminates the transaction- and industry-specific revenue recognition guidance under current GAAP and replaces it with a principles-based approach. UNIFI has completed a comprehensive identification of contracts that necessitate a change in revenue recognition in connection with the ASUs, and does not expect the impact of the change to be material for revenue streams and contracts existing as of June 24, 2018. UNIFI expects to adopt the related ASUs in fiscal 2019, utilizing the modified retrospective method, recording the impact of open contracts as of June 24, 2018 as an adjustment to the opening balance of fiscal 2019 retained earnings.

Relating to the new revenue recognition guidance, UNIFI estimates the pending impact to the opening balance of fiscal 2019 retained earnings under the modified retrospective method is less than $1,000.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. While UNIFI has not yet determined the full effect of the new guidance on its ongoing financial reporting, as of June 24, 2018, UNIFI had approximately $5,800 of future minimum lease payments under non-cancelable operating leases (with initial lease terms in excess of one year). The new lease guidance is effective for UNIFI's fiscal 2020, and early adoption is permitted.

Under the guidance in the SEC Staff Announcement on July 20, 2017 relating to the transition to ASU No. 2014-09 and ASU No. 2016-02, due to its status as a significant subsidiary of Unifi, Inc., PAL expects to adopt (i) the new revenue recognition guidance in its fiscal 2019 and (ii) the new lease guidance in its fiscal 2020. PAL is currently evaluating the impact of the new revenue and lease guidance.

Recently Adopted

In July 2015, the FASB issued ASU No. 2015-11, *Inventory*, which modifies the subsequent measurement of inventories recorded under a first-in, first-out or average cost method. Under the new standard, such inventories are required to be measured at the lower of cost and net realizable value. The new standard was effective for UNIFI's fiscal 2018, with prospective application. UNIFI's existing principles for inventory measurement included consideration of net realizable value and, therefore, adoption had no significant impact on UNIFI's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments, including the accounting and classification of the respective income tax impacts, forfeitures and statutory withholding requirements. UNIFI adopted the ASU in fiscal 2018, on a prospective basis. The adoption resulted in a $230 decrease to the provision for income taxes for excess tax benefits and an immaterial increase in potential dilutive weighted average shares for fiscal 2018. In connection with the adoption of the ASU, UNIFI has elected to recognize forfeitures as they occur, and there is no corresponding retrospective adjustment to retained earnings. Additionally, UNIFI is presenting the change in classification of excess tax benefits in the condensed consolidated statements of cash flows on a prospective basis.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The ASU is intended to improve and simplify the rules around hedge accounting, reduce complexity for certain hedging concepts and better align financial reporting with an entity's risk management activities. UNIFI early adopted ASU No. 2017-12 in fiscal 2018. Adoption will allow UNIFI to (i) eliminate consideration for hedge ineffectiveness, (ii) utilize a qualitative effectiveness assessment prospectively and (iii) contemplate hedge accounting for additional risk management activities allowed by the simplified guidance. Due to a lack of complexity in UNIFI's recent risk management activities, there are no applicable cumulative adjustments to UNIFI's financial statements in connection with adoption of the ASU.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The ASU is intended to clarify the definition of a business and reduce the complexity of evaluating transactions that are more akin to asset acquisitions. UNIFI early adopted ASU No. 2017-01 in fiscal 2018. There are no current period or historical adjustments to UNIFI's financial statements required in connection with adoption of the ASU. Any transaction that is required to be evaluated under the ASU is accounted for prospectively. In April 2018, an asset purchase agreement was evaluated under the ASU and the associated transaction was recorded as an asset acquisition.

There have been no other newly issued or newly applicable accounting pronouncements that have had, or are expected to have, a significant impact on UNIFI's consolidated financial statements.

Off-Balance Sheet Arrangements

UNIFI is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on UNIFI's financial condition, results of operations, liquidity or capital expenditures.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The SEC has defined a company's most critical accounting policies as those involving accounting estimates that require management to make assumptions about matters that are highly uncertain at the time and where different reasonable estimates or changes in the accounting estimate from quarter to quarter could materially impact the presentation of the financial statements. The following discussion provides further information about accounting policies critical to UNIFI and should be read in conjunction with Note 2, "Summary of Significant Accounting Policies," to the accompanying consolidated financial statements.

Receivables Reserves

An allowance for losses is provided for known and potential losses arising from yarn quality claims and for amounts owed by customers. Reserves for yarn quality claims are based on historical claim experience and known pending claims. The collectability of accounts receivable is based on a combination of factors, including the aging of accounts, historical write off experience, present economic conditions such as customer bankruptcy filings, and the financial health of specific customers and market sectors. Since losses depend to a large degree on future economic conditions and the health of the textile industry, a significant level of judgment is required to arrive at the allowance for uncollectible accounts. This allowance is established based on percentages applied to accounts aged for set periods of time, supplemented by reserves for individual customer accounts where collection is no longer certain. Establishing reserves for yarn claims and uncollectible accounts requires management judgment and estimates. UNIFI does not believe there is a reasonable likelihood that there will be a material change in the estimates and assumptions it uses to assess the allowance for losses. However, certain unexpected events such as a customer bankruptcy filing could have a material impact on UNIFI's results of operations. UNIFI has not made any material changes to the methodology used in establishing its accounts receivable loss reserves during the past three fiscal years. A plus or minus 10% change in the aged accounts receivable reserve percentages would not have been material to UNIFI's consolidated financial statements for the past three fiscal years.

Inventory Reserves

Inventory reserves are established based on many factors, including historical recovery rates, the aging of inventories on-hand, inventory movement and expected net realizable value of specific products, and current economic conditions. Specific reserves are established based on a determination of the obsolescence of the inventory and whether the inventory value exceeds amounts to be recovered through expected sales prices less selling costs. Estimating sales prices and evaluating the condition of the inventories require judgment and estimates, which may impact the ending inventory valuation and gross margins. UNIFI uses current and historical knowledge to record reasonable estimates of its markdown percentages and expected sales prices. UNIFI believes it is unlikely that differences in actual demand or selling prices from those projected by management would have a material impact on UNIFI's financial condition or results of operations. UNIFI has not made any material changes to the methodology used in establishing its inventory loss reserves during the past three fiscal years. A plus or minus 10% change in its aged inventory reserves would not have been material to UNIFI's consolidated financial statements for the past three fiscal years.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assets held for sale, an impairment charge is recognized if the carrying value of the assets exceeds the fair value less costs to sell. Estimates are required to determine the fair value, the disposal costs and the time period to dispose of the assets. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. For assets held and used, impairment may occur if projected undiscounted cash flows are not adequate to cover the carrying value of the assets. In such cases, additional analysis is conducted to determine the amount of loss to be recognized, and the impairment loss is determined as the amount the carrying value of the asset or asset group exceeds the estimated fair value, measured by future discounted cash flows. The analysis requires estimates of the amount and timing of projected cash flows and, where applicable, judgment associated with, among other factors, the appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. UNIFI's judgment regarding the existence of circumstances that indicate the potential impairment of an asset's carrying value is based on several factors, including, but not limited to, changes in business environment, a decline in operating cash flows or a decision to close a manufacturing facility. The variability of these factors depends on a number of conditions, including uncertainty about future events and general economic conditions.

Impairment of Investments in Unconsolidated Affiliates

UNIFI evaluates its investments in unconsolidated affiliates whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. UNIFI evaluates the ability of an affiliate to generate sufficient earnings and cash flows to justify its carrying value. Reductions in an affiliate's cash flows that are other than temporary and indicative of a loss of investment value are assessed for impairment purposes. For fiscal 2018, UNIFI determined there were no other-than-temporary impairments related to the carrying value of its investments in unconsolidated affiliates.

Valuation Allowance for Deferred Tax Assets

UNIFI currently has a valuation allowance against certain of its deferred tax assets in the United States and foreign subsidiaries due to negative evidence concerning the realization of those deferred tax assets. The deferred tax valuation allowance at June 24, 2018 was $15,143.

In assessing the realization of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income of the appropriate character during the periods in which those temporary differences reverse. Management considers the scheduled reversal of taxable temporary differences, taxable income in carryback periods, projected future taxable income and tax planning strategies in making this assessment. UNIFI reviews its estimates of future taxable income on a quarterly basis to assess if the need for a valuation allowance exists. UNIFI continually evaluates both positive and negative evidence to determine whether and when the valuation allowance, or a portion thereof, should be released. A release of the valuation allowance could have a material effect on earnings in the period of release.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

UNIFI is exposed to market risks associated with changes in interest rates, fluctuations in foreign currency exchange rates, and raw material and commodity costs, which may adversely affect its financial position, results of operations or cash flows. UNIFI does not enter into derivative financial instruments for trading purposes, nor is it a party to any leveraged financial instruments.

Interest Rate Risk

UNIFI is exposed to interest rate risk through its borrowing activities. As of June 24, 2018, UNIFI had borrowings under its ABL Revolver and ABL Term Loan that totaled $113,100 and contain variable rates of interest; however, UNIFI hedges a significant portion of such interest rate variability using interest rate swaps. As of June 24, 2018, after considering the variable rate debt obligations that have been hedged and UNIFI's outstanding debt obligations with fixed rates of interest, UNIFI's sensitivity analysis indicates that a 50-basis point increase in LIBOR as of June 24, 2018 would result in an increase in annual interest expense of less than $200.

Foreign Currency Exchange Rate Risk

UNIFI conducts its business in various foreign countries and in various foreign currencies. Each of UNIFI's subsidiaries may enter into transactions (sales, purchases, fixed purchase commitments, etc.) that are denominated in currencies other than the subsidiary's functional currency and thereby expose UNIFI to foreign currency exchange risk. UNIFI may enter into foreign currency forward contracts to hedge this exposure. UNIFI may also enter into foreign currency forward contracts to hedge its exposure for certain equipment or inventory purchase commitments. As of June 24, 2018, UNIFI had no outstanding foreign currency forward contracts.

A significant portion of raw materials purchased by UNIFI's Brazilian subsidiary are denominated in USD, requiring UNIFI to regularly exchange BRL. A significant portion of sales and asset balances for our Asian subsidiaries are denominated in USD. During recent fiscal years, UNIFI was negatively impacted by a devaluation of the BRL. Also, the RMB experienced fluctuations in value throughout fiscal 2018, which generated foreign currency translation losses in certain fiscal quarters. Discussion and analysis surrounding the impact of fluctuations of the BRL and the RMB on UNIFI's results of operations are included above in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

As of June 24, 2018, UNIFI's subsidiaries outside the United States, whose functional currency is other than the USD, held approximately 16.4% of UNIFI's consolidated total assets. UNIFI does not enter into foreign currency derivatives to hedge its net investment in its foreign operations.

As of June 24, 2018, $37,996, or 84.6%, of UNIFI's cash and cash equivalents were held outside the United States, of which $30,561 was held in USD, $3,639 was held in RMB and $3,612 was held in BRL.

More information regarding UNIFI's derivative financial instruments as of June 24, 2018 is provided in Note 18, "Fair Value of Financial Instruments and Non-Financial Assets and Liabilities," to the accompanying consolidated financial statements.

Raw Material and Commodity Cost Risks

A significant portion of UNIFI's raw materials and energy costs are derived from petroleum-based chemicals. The prices for petroleum and petroleum-related products and energy costs are volatile and dependent on global supply and demand dynamics, including certain geo-political risks. A sudden rise in the price of petroleum and petroleum-based products could have a material impact on UNIFI's profitability. UNIFI does not use financial instruments to hedge its exposure to changes in these costs. The costs of the primary raw materials that UNIFI uses throughout all of its operations are generally based on USD pricing, and such materials are purchased at market or at fixed prices that are established with individual vendors as part of the purchasing process for quantities expected to be consumed in the ordinary course of business. UNIFI manages fluctuations in the cost of raw materials primarily by making corresponding adjustments to the prices charged to its customers. Certain customers are subject to an index-based pricing model in which UNIFI's prices are adjusted based on the change in the cost of raw materials in the prior quarter. Pricing adjustments for other customers must be negotiated independently. At times, UNIFI is unable to pass on to its customers rises in raw material costs and, when it can, there typically is a time lag that adversely affects UNIFI and its margins during one or more periods. In ordinary market conditions in which raw material price increases have stabilized and sales volumes are consistent with traditional levels, UNIFI has historically been successful in implementing price adjustments within one to two fiscal quarters of the raw material price increase for index priced customers and within two fiscal quarters of the raw material price increase for non-index priced customers.

During fiscal 2018, UNIFI experienced elevated polyester raw material costs in connection with heightened petroleum prices. In combination with a difficult operating environment characterized by suppressed demand and lower volumes in the domestic markets, where corresponding price increases were not achieved, these costs drove a significant decline in gross profit for the third quarter, and, if such costs continue to rise, further gross profit pressure can be expected.

Other Risks

UNIFI is also exposed to political risk, including changing laws and regulations governing international trade, such as quotas, tariffs and tax laws. The degree of impact and the frequency of these events cannot be predicted.

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements and the related notes begin on page F-i herein.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of June 24, 2018, an evaluation of the effectiveness of UNIFI's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) was performed under the supervision and with the participation of UNIFI's management, including the principal executive officer and principal financial officer. Based on that evaluation, UNIFI's principal executive officer and principal financial officer concluded that UNIFI's disclosure controls and procedures are effective to ensure that information required to be disclosed by UNIFI in its reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that information required to be disclosed by UNIFI in the reports UNIFI files or submits under the Exchange Act is accumulated and communicated to UNIFI's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

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

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

Management, under the supervision and with the participation of the principal executive officer and principal financial officer, assessed the effectiveness of UNIFI's internal control over financial reporting as of June 24, 2018, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*. Based on that assessment, management concluded that, as of June 24, 2018, UNIFI's internal control over financial reporting was effective based on the criteria established in *Internal Control-Integrated Framework (2013)*.

Attestation Report of the Independent Registered Public Accounting Firm

The effectiveness of UNIFI's internal control over financial reporting as of June 24, 2018 has been audited by KPMG LLP ("KPMG"), an independent registered public accounting firm. KPMG's report, which appears in "Item 8. Financial Statements and Supplementary Data," expresses an unqualified opinion on the effectiveness of UNIFI's internal control over financial reporting as of June 24, 2018.

Changes in Internal Control Over Financial Reporting

During UNIFI's fourth quarter of fiscal 2018, there has been no change in UNIFI's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, UNIFI's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

UNIFI will file with the SEC a definitive proxy statement for its 2018 Annual Meeting of Shareholders (the "Proxy Statement") no later than 120 days after the close of its fiscal year ended June 24, 2018. The information required by this item with respect to our executive officers appears in Part I of this Annual Report under the heading "Executive Officers of the Registrant." The other information required by this item is furnished by incorporation by reference to the information under the headings "Election of Directors," "Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

We have adopted a written Code of Ethics for Senior Financial and Executive Officers (the "Code of Ethics"), which is intended to qualify as a "code of ethics" within the meaning of Item 406 of Regulation S-K of the Exchange Act. The Code of Ethics applies to our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. The Code of Ethics is available on our website at *www.unifi.com*. A copy of the Code of Ethics may also be obtained without charge to any person, upon request, by writing to Unifi, Inc., 7201 West Friendly Avenue, Greensboro, North Carolina 27410, Attention: Office of the Secretary.

We will disclose information pertaining to any amendment to, or waiver from, the provisions of the Code of Ethics that apply to our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions and that relate to any element of the Code of Ethics enumerated in the SEC rules and regulations by posting this information on our website at *www.unifi.com*. The information on our website is not a part of this Annual Report and is not incorporated by reference in this Annual Report or any of our other filings with the SEC. Our non-employee directors and their respective principal occupation or employment are as follows: Robert J. Bishop (Managing Principal, Impala Asset Management LLC, a private investment management company); Albert P. Carey (Chief Executive Officer, PepsiCo North America, a consumer products company); Paul R. Charron (Independent Management Consultant); Archibald Cox, Jr. (Chairman, Sextant Group, Inc., a financial advisory and private equity firm); James M. Kilts (Founding Partner, Centerview Capital, a private equity firm); Kenneth G. Langone (President and Chief Executive Officer, Invemed Associates LLC, an investment banking firm); James D. Mead (President, James Mead & Company, an executive search and management consulting firm); Suzanne M. Present (Principal, Gladwyne Partners, LLC, a private partnership fund manager); and Eva T. Zlotnicka (Vice President, ValueAct Capital, an investment adviser).

Item 11. Executive Compensation

The information required by this item is furnished by incorporation by reference to the information under the headings "Director Compensation," "Compensation Discussion and Analysis," "Executive Compensation Tables," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" in the Proxy Statement.

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

The information required by this item is furnished by incorporation by reference to the information under the headings "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the Proxy Statement.

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

The information required by this item is furnished by incorporation by reference to the information under the headings "Corporate Governance—Director Independence," "Corporate Governance—Policy for Review of Related Person Transactions" and "Corporate Governance—Related Person Transactions" in the Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this item is furnished by incorporation by reference to the information under the heading "Ratification of the Appointment of Independent Registered Public Accounting Firm" in the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

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

2. Financial Statement Schedules

PAL is an unconsolidated joint venture in which UNIFI holds a 34% equity ownership interest and which met the significant subsidiary test for UNIFI's fiscal years ended June 24, 2018, June 25, 2017 and June 26, 2016. Accordingly, pursuant to Rule 3-09(b)(2) of Regulation S-X under the Exchange Act, UNIFI will file the required financial statements and related notes of PAL via an amendment to this Annual Report. PAL's current fiscal year end is December 29, 2018, which is more than 90 days after UNIFI's corresponding fiscal year end, June 24, 2018. PAL's financial statements as of December 29, 2018 and December 30, 2017 and for the fiscal years ended December 29, 2018, December 30, 2017 and December 31, 2016 will be filed on or before March 29, 2019.

PAL's prior fiscal year end was December 30, 2017, which was more than 90 days after UNIFI's corresponding fiscal year end. Accordingly, pursuant to Rule 3-09(b)(2) of Regulation S-X under the Exchange Act, UNIFI filed the required financial statements and related notes of PAL on March 30, 2018 via an amendment to UNIFI's Annual Report on Form 10-K for the fiscal year ended June 25, 2017.

3. Exhibits

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Unifi, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed October 31, 2016 (File No. 001-10542)).
3.2	Amended and Restated By-laws of Unifi, Inc., as of October 26, 2016 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed October 31, 2016 (File No. 001-10542)).
4.1	Registration Rights Agreement, dated as of January 1, 2007, by and between Unifi, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 7.1 to the Schedule 13D filed January 16, 2007 by Dillon Yarn Corporation (File No. 005-30881)).
4.2	Amended and Restated Credit Agreement, dated as of March 26, 2015, by and among Unifi, Inc. and certain of its domestic subsidiaries, as borrowers, Wells Fargo Bank, National Association, as administrative agent, sole lead arranger and sole book runner, and the lenders party thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed March 31, 2015 (File No. 001-10542)).
4.3	First Amendment to Amended and Restated Credit Agreement, dated as of June 26, 2015, by and among Unifi, Inc. and Unifi Manufacturing, Inc., as borrowers, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed June 30, 2015 (File No. 001-10542)).
4.4	Second Amendment to Amended and Restated Credit Agreement, dated as of November 19, 2015, by and among Unifi, Inc. and Unifi Manufacturing, Inc., as borrowers, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed November 23, 2015 (File No. 001-10542)).
4.5	Amended and Restated Guaranty and Security Agreement, dated as of March 26, 2015, by and among the grantors from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed March 31, 2015 (File No. 001-10542)).
4.6	First Amendment to Amended and Restated Guaranty and Security Agreement, dated as of June 26, 2015, by and among the grantors from time to time party thereto and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed June 30, 2015 (File No. 001-10542)).
4.7	Trademark Security Agreement, dated as of May 24, 2012, by and among the grantors party thereto and Wells Fargo Bank, N.A., as agent (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed May 25, 2012 (File No. 001-10542)).
4.8	Patent Security Agreement, dated as of May 24, 2012, by and among the grantors party thereto and Wells Fargo Bank, N.A., as agent (incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K filed May 25, 2012 (File No. 001-10542)).
10.1*	1999 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed August 7, 2000 (File No. 333-43158)).
10.2*	Form of Incentive Stock Option Agreement for Employees for use in connection with the 1999 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed July 31, 2006 (File No. 001-10542)).
10.3*	2008 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed December 12, 2008 (File No. 333-156090)).
10.4*	Form of Incentive Stock Option Agreement for Employees for use in connection with the 2008 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended December 28, 2008 (File No. 001-10542)).
10.5*	Form of Restricted Stock Unit Agreement for Non-Employee Directors for use in connection with the 2008 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended December 26, 2010 (File No. 001-10542)).
10.6*	Form of Restricted Stock Unit Agreement for Employees for use in connection with the 2008 Unifi, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended September 25, 2011 (File No. 001-10542)).
10.7*	Unifi, Inc. 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed October 23, 2013 (File No. 001-10542)).

Exhibit Number	Description
10.8*	Form of Restricted Stock Unit Agreement for Non-Employee Directors for use in connection with the Unifi, Inc. 2013 Incentive Compensation Plan (used for agreements entered into prior to October 25, 2017) (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed October 23, 2013 (File No. 001-10542)).
10.9+*	Form of Restricted Stock Unit Agreement for Non-Employee Directors for use in connection with the Unifi, Inc. 2013 Incentive Compensation Plan (used for agreements entered into on or after October 25, 2017).
10.10*	Form of Restricted Stock Unit Agreement for Employees for use in connection with the Unifi, Inc. 2013 Incentive Compensation Plan (used for agreements entered into prior to February 21, 2017) (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended December 29, 2013 (File No. 001-10542)).
10.11+*	Form of Restricted Stock Unit Agreement for Employees for use in connection with the Unifi, Inc. 2013 Incentive Compensation Plan (used for agreements entered into on or after February 21, 2017).
10.12*	Form of Incentive Stock Option Agreement for Employees for use in connection with the Unifi, Inc. 2013 Incentive Compensation Plan (used for agreements entered into prior to March 26, 2017) (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q for the quarter ended December 29, 2013 (File No. 001-10542)).
10.13*	Form of Incentive Stock Option Agreement for Employees for use in connection with the Unifi, Inc. 2013 Incentive Compensation Plan (used for agreements entered into on or after March 26, 2017) (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended March 26, 2017 (File No. 001-10542)).
10.14*	Unifi, Inc. Supplemental Key Employee Retirement Plan (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed July 31, 2006 (File No. 001-10542)).
10.15*	Amendment to Unifi, Inc. Supplemental Key Employee Retirement Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed January 6, 2009 (File No. 001-10542)).
10.16*	Amendment to the Unifi, Inc. Supplemental Key Employee Retirement Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended March 25, 2018 (File No. 001-10542)).
10.17*	Unifi, Inc. Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended December 26, 2010 (File No. 001-10542)).
10.18*	Unifi, Inc. Director Compensation Policy (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed October 30, 2017 (File No. 001-10542)).
10.19*	Change in Control Agreement by and between Unifi, Inc. and Thomas H. Caudle, Jr., effective as of August 14, 2009 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed August 18, 2009 (File No. 001-10542)).
10.20*	Amendment No. 1 to Change in Control Agreement by and between Unifi, Inc. and Thomas H. Caudle, Jr., effective as of December 31, 2011 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed January 5, 2012 (File No. 001-10542)).
10.21*	Amendment No. 2 to Change in Control Agreement by and between Unifi, Inc. and Thomas H. Caudle, Jr., effective as of December 31, 2014 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed December 1, 2014 (File No. 001-10542)).
10.22*	Employment Agreement by and between Unifi, Inc. and Kevin D. Hall, effective as of May 3, 2017 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed May 4, 2017 (File No. 001-10542)).
10.23*	Amendment No. 1 to Employment Agreement by and between Unifi, Inc. and Kevin D. Hall, effective as of May 19, 2017 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K/A filed May 19, 2017 (File No. 001-10542)).
10.24*	Employment Agreement by and between Unifi, Inc. and John D. Vegas, effective as of July 17, 2017 (incorporated by reference to Exhibit 10.23 to the Annual Report on Form 10-K for the fiscal year ended June 25, 2017 (File No. 001-10542)).
10.25*	Employment Agreement by and between Unifi, Inc. and Richard Gerstein, effective as of July 28, 2017 (incorporated by reference to Exhibit 10.24 to the Annual Report on Form 10-K for the fiscal year ended June 25, 2017 (File No. 001-10542)).
10.26*	Employment Agreement by and between Unifi, Inc. and Jeffrey C. Ackerman, effective as of September 2, 2017 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed September 6, 2017 (File No. 001-10542)).

Exhibit Number	Description
10.27	Sales and Services Agreement, dated as of January 1, 2007, by and between Unifi Manufacturing, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-3 filed February 9, 2007 (File No. 333-140580)).
10.28	First Amendment to Sales and Services Agreement, effective as of January 1, 2009, by and between Unifi Manufacturing, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed December 3, 2008 (File No. 001-10542)).
10.29	Second Amendment to Sales and Services Agreement, effective as of January 1, 2010, by and between Unifi Manufacturing, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed December 11, 2009 (File No. 001-10542)).
10.30	Third Amendment to Sales and Services Agreement, effective as of January 1, 2011, by and between Unifi Manufacturing, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed December 22, 2010 (File No. 001-10542)).
10.31	Fourth Amendment to Sales and Services Agreement, effective as of January 1, 2012, by and between Unifi Manufacturing, Inc. and Dillon Yarn Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed December 20, 2011 (File No. 001-10542)).
10.32**	Yarn Purchase Agreement, effective as of September 1, 2014, by and between Unifi Manufacturing, Inc. and Hanesbrands Inc. (incorporated by reference to Exhibit 10.35 to the Annual Report on Form 10-K for the fiscal year ended June 29, 2014 (File No. 001-10542)).
10.33+**	Addendum and Extension to Yarn Purchase Agreement, effective as of June 30, 2018, by and between Unifi Manufacturing, Inc. and Hanesbrands Inc.
10.34	Deposit Account Control Agreement, dated as of May 24, 2012, by and among Unifi Manufacturing, Inc., Wells Fargo Bank, N.A. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed May 25, 2012 (File No. 001-10542)).
21.1+	List of Subsidiaries of Unifi, Inc.
23.1+	Consent of KPMG LLP.
31.1+	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1++	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2++	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101+	The following financial information from Unifi, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 24, 2018, filed August 22, 2018, formatted in eXtensible Business Reporting Language: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Shareholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements.

\+ Filed herewith.
\++ Furnished herewith.
* Indicates a management contract or compensatory plan or arrangement.
** Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment filed with the SEC.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

UNIFI, INC.

Date: August 22, 2018

By: /s/ KEVIN D. HALL
Kevin D. Hall
Chairman of the Board and
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Kevin D. Hall and Jeffrey C. Ackerman, or either of them, his or her attorney-in-fact, with full power of substitution and resubstitution for such person in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorney-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

Signature	Title
/s/ KEVIN D. HALL **Kevin D. Hall**	Chairman of the Board and Chief Executive Officer and Director (Principal Executive Officer)
/s/ JEFFREY C. ACKERMAN **Jeffrey C. Ackerman**	Executive Vice President & Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ ARCHIBALD COX, JR. **Archibald Cox, Jr.**	Lead Independent Director
/s/ ROBERT J. BISHOP **Robert J. Bishop**	Director
/s/ ALBERT P. CAREY **Albert P. Carey**	Director
/s/ THOMAS H. CAUDLE, JR. **Thomas H. Caudle, Jr.**	Director
/s/ PAUL R. CHARRON **Paul R. Charron**	Director
/s/ JAMES M. KILTS **James M. Kilts**	Director
/s/ KENNETH G. LANGONE **Kenneth G. Langone**	Director
/s/ JAMES D. MEAD **James D. Mead**	Director
/s/ SUZANNE M. PRESENT **Suzanne M. Present**	Director
/s/ EVA T. ZLOTNICKA **Eva T. Zlotnicka**	Director

Date: August 22, 2018

UNIFI, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Unifi, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Unifi, Inc. and subsidiaries (the Company) as of June 24, 2018 and June 25, 2017, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 24, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 24, 2018 and June 25, 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended June 24, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 24, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated August 22, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2011.

Greensboro, North Carolina
August 22, 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Unifi, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Unifi, Inc. and subsidiaries (the Company) internal control over financial reporting as of June 24, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 24, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of June 24, 2018 and June 25, 2017, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 24, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated August 22, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ KPMG LLP

Greensboro, North Carolina
August 22, 2018

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	June 24, 2018	June 25, 2017
ASSETS		
Cash and cash equivalents	$ 44,890	$ 35,425
Receivables, net	86,273	81,121
Inventories	126,311	111,405
Income taxes receivable	10,291	9,218
Other current assets	6,529	6,468
Total current assets	274,294	243,637
Property, plant and equipment, net	205,516	203,388
Deferred income taxes	3,288	2,194
Intangible assets, net	2,990	2,158
Investments in unconsolidated affiliates	112,639	119,513
Other non-current assets	3,080	613
Total assets	$ 601,807	$ 571,503
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 48,970	$ 41,499
Accrued expenses	17,720	16,144
Income taxes payable	1,317	1,351
Current portion of long-term debt	16,996	17,060
Total current liabilities	85,003	76,054
Long-term debt	113,553	111,382
Other long-term liabilities	5,337	11,804
Income taxes payable	470	—
Deferred income taxes	7,663	11,457
Total liabilities	212,026	210,697
Commitments and contingencies		
Common stock, $0.10 par value (500,000,000 shares authorized; 18,352,824 and 18,229,777 shares issued and outstanding as of June 24, 2018 and June 25, 2017, respectively)	1,835	1,823
Capital in excess of par value	56,726	51,923
Retained earnings	371,753	339,940
Accumulated other comprehensive loss	(40,533)	(32,880)
Total Unifi, Inc. shareholders' equity	389,781	360,806
Non-controlling interest	—	—
Total shareholders' equity	389,781	360,806
Total liabilities and shareholders' equity	$ 601,807	$ 571,503

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Net sales	$ 678,912	$ 647,270	$ 643,637
Cost of sales	592,484	553,106	550,005
Gross profit	86,428	94,164	93,632
Selling, general and administrative expenses	56,077	50,829	47,502
(Benefit) provision for bad debts	(38)	(123)	1,684
Other operating expense (income), net	1,590	(310)	2,248
Operating income	28,799	43,768	42,198
Interest income	(560)	(517)	(610)
Interest expense	4,935	3,578	3,528
Loss on sale of business	—	1,662	—
Equity in earnings of unconsolidated affiliates	(5,787)	(4,230)	(8,963)
Income before income taxes	30,211	43,275	48,243
(Benefit) provision for income taxes	(1,491)	10,898	15,073
Net income including non-controlling interest	31,702	32,377	33,170
Less: net loss attributable to non-controlling interest	—	(498)	(1,245)
Net income attributable to Unifi, Inc.	$ 31,702	$ 32,875	$ 34,415
Net income attributable to Unifi, Inc. per common share:			
Basic	$ 1.73	$ 1.81	$ 1.93
Diluted	$ 1.70	$ 1.78	$ 1.87

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Net income including non-controlling interest	$ 31,702	$ 32,377	$ 33,170
Other comprehensive loss:			
Foreign currency translation adjustments	(9,250)	(2,936)	(2,135)
Foreign currency translation adjustments for an unconsolidated affiliate	(646)	245	(794)
Changes in interest rate swaps, net of tax of $824, $299 and $0, respectively	2,243	(438)	77
Other comprehensive loss, net	(7,653)	(3,129)	(2,852)
Comprehensive income including non-controlling interest	24,049	29,248	30,318
Less: comprehensive loss attributable to non-controlling interest	—	(498)	(1,245)
Comprehensive income attributable to Unifi, Inc.	$ 24,049	$ 29,746	$ 31,563

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	Shares	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Unifi, Inc. Shareholders' Equity	Non-controlling Interest	Total Shareholders' Equity
Balance at June 28, 2015	18,007	$ 1,801	$ 44,261	$ 278,331	$ (26,899)	$ 297,494	$ 1,599	$ 299,093
Options exercised	27	3	178	—	—	181	—	181
Stock-based compensation	—	—	2,340	—	—	2,340	—	2,340
Conversion of restricted stock units	19	2	(2)	—	—	—	—	—
Common stock repurchased and retired under publicly announced program	(206)	(21)	(509)	(5,681)	—	(6,211)	—	(6,211)
Excess tax benefit on stock-based compensation plans	—	—	120	—	—	120	—	120
Tax deficiency from stock-based compensation plans	—	—	(456)	—	—	(456)	—	(456)
Other comprehensive loss, net of tax	—	—	—	—	(2,852)	(2,852)	—	(2,852)
Contributions from non-controlling interest	—	—	—	—	—	—	1,560	1,560
Net income (loss)	—	—	—	34,415	—	34,415	(1,245)	33,170
Balance at June 26, 2016	17,847	$ 1,785	$ 45,932	$ 307,065	$ (29,751)	$ 325,031	$ 1,914	$ 326,945
Options exercised	313	31	2,756	—	—	2,787	—	2,787
Stock-based compensation	—	—	2,182	—	—	2,182	—	2,182
Conversion of restricted stock units	70	7	(7)	—	—	—	—	—
Excess tax benefit on stock-based compensation plans	—	—	1,060	—	—	1,060	—	1,060
Other comprehensive loss, net of tax	—	—	—	—	(3,129)	(3,129)	—	(3,129)
Deconsolidation for sale of business	—	—	—	—	—	—	(1,416)	(1,416)
Net income (loss)	—	—	—	32,875	—	32,875	(498)	32,377
Balance at June 25, 2017	18,230	$ 1,823	$ 51,923	$ 339,940	$ (32,880)	$ 360,806	$ —	$ 360,806
Options exercised	86	9	210	—	—	219	—	219
Stock-based compensation	4	—	5,075	—	—	5,075	—	5,075
Conversion of restricted stock units	47	4	(4)	—	—	—	—	—
Common stock withheld in satisfaction of tax withholding obligations under net share settle transactions	(14)	(1)	(478)	—	—	(479)	—	(479)
Other comprehensive loss, net of tax	—	—	—	—	(7,653)	(7,653)	—	(7,653)
Adoption of ASU No. 2018-02	—	—	—	111	—	111	—	111
Net income	—	—	—	31,702	—	31,702	—	31,702
Balance at June 24, 2018	18,353	$ 1,835	$ 56,726	$ 371,753	$ (40,533)	$ 389,781	$ —	$ 389,781

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Cash and cash equivalents at beginning of year	$ 35,425	$ 16,646	$ 10,013
Operating activities:			
Net income including non-controlling interest	31,702	32,377	33,170
Adjustments to reconcile net income including non-controlling interest to net cash provided by operating activities:			
Equity in earnings of unconsolidated affiliates	(5,787)	(4,230)	(8,963)
Distributions received from unconsolidated affiliates	12,236	2,322	4,732
Depreciation and amortization expense	22,585	20,368	17,528
Loss on sale of business	—	1,662	—
Non-cash compensation expense	5,823	2,983	2,501
Excess tax benefit on stock-based compensation plans	—	(1,060)	(120)
Deferred income taxes	(5,797)	6,886	5,983
Other, net	(277)	(1,112)	(302)
Changes in assets and liabilities:			
Receivables, net	(7,529)	1,586	(88)
Inventories	(18,198)	(8,519)	6,843
Other current assets	(382)	(1,824)	(304)
Income taxes	(573)	(4,724)	(1,115)
Accounts payable and accrued expenses	8,674	(1,207)	(5,710)
Other non-current assets	(229)	(233)	(108)
Other non-current liabilities	(4,913)	787	1,928
Net cash provided by operating activities	37,335	46,062	55,975
Investing activities:			
Capital expenditures	(25,029)	(33,190)	(52,337)
Proceeds from sale of assets	94	61	2,099
Other, net	(1,940)	(253)	(2,654)
Net cash used in investing activities	(26,875)	(33,382)	(52,892)
Financing activities:			
Proceeds from ABL Revolver	120,500	121,800	153,200
Payments on ABL Revolver	(101,700)	(118,700)	(152,000)
Proceeds from ABL Term Loan	—	14,500	17,375
Payments on ABL Term Loan	(10,000)	(9,750)	(9,250)
Proceeds from a term loan supplement	—	—	4,000
Proceeds from construction financing	—	—	790
Payment on term loan from equity affiliate	—	—	(1,250)
Payments on capital lease obligations	(7,060)	(4,700)	(4,090)
Common stock repurchased and retired under publicly announced programs	—	—	(6,211)
Common stock withheld in satisfaction of tax withholding obligations under net share settle transactions	(206)	—	—
Proceeds from stock option exercises	219	2,787	181
Excess tax benefit on stock-based compensation plans	—	1,060	120
Contributions from non-controlling interest	—	—	1,560
Other	(450)	(493)	(783)
Net cash provided by financing activities	1,303	6,504	3,642
Effect of exchange rate changes on cash and cash equivalents	(2,298)	(405)	(92)
Net increase in cash and cash equivalents	9,465	18,779	6,633
Cash and cash equivalents at end of year	$ 44,890	$ 35,425	$ 16,646

See accompanying notes to consolidated financial statements.

1. Background

Overview

Unifi, Inc., a New York corporation formed in 1969 (together with its subsidiaries, “UNIFI,” the “Company,” “we,” “us” or “our”), is a multi-national company that manufactures and sells innovative synthetic and recycled products made from polyester and nylon primarily to other yarn manufacturers and knitters and weavers (UNIFI’s direct customers) that produce yarn and/or fabric for the apparel, hosiery, home furnishings, automotive, industrial and other end-use markets (UNIFI’s indirect customers). We refer to these indirect customers as “brand partners.” Polyester yarns include partially oriented yarn (“POY”), textured, solution and package dyed, twisted, beamed and draw wound yarns, and each is available in virgin or recycled varieties. Recycled solutions, made from both pre-consumer and post-consumer waste, include plastic bottle flake (“Flake”) and polyester polymer beads (“Chip”). Nylon yarns include virgin or recycled textured, solution dyed and spandex covered yarns.

UNIFI maintains one of the textile industry’s most comprehensive product offerings that include a range of specialized, premium value-added (“PVA”) and commodity solutions, with principal geographic markets in the Americas and Asia.

UNIFI has direct manufacturing operations in four countries and participates in joint ventures in Israel and the United States, the most significant of which is a 34% non-controlling partnership interest in Parkdale America, LLC (“PAL”), a significant unconsolidated affiliate that produces cotton and synthetic yarns for sale to the global textile industry and apparel market.

All dollar amounts, except per share amounts, are presented in thousands (000s), unless otherwise noted.

Fiscal Year

The fiscal year for Unifi, Inc. and its subsidiary in El Salvador ends on the last Sunday in June. Unifi, Inc.’s fiscal 2018, 2017 and 2016 ended on June 24, 2018, June 25, 2017 and June 26, 2016, respectively. Unifi, Inc.’s Brazilian, Chinese, Colombian and Sri Lankan subsidiaries’ fiscal years end on June 30th. There were no significant transactions or events that occurred between the fiscal year ends of Unifi, Inc. and the subsequent fiscal year ends of its wholly owned subsidiaries. Unifi, Inc.’s fiscal 2018, 2017 and 2016 each consisted of 52 fiscal weeks.

Reclassifications

Certain reclassifications of prior fiscal years’ data have been made to conform to the current presentation.

2. Summary of Significant Accounting Policies

UNIFI follows U.S. generally accepted accounting principles (“GAAP”). The significant accounting policies described below, together with the other notes to the accompanying consolidated financial statements that follow, are an integral part of the consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Unifi, Inc. and its subsidiaries in which it maintains a controlling financial interest. All account balances and transactions between Unifi, Inc. and the subsidiaries which it controls have been eliminated. Investments in entities in which UNIFI is able to exercise significant influence, but not control, are accounted for using the equity method. For transactions with entities accounted for under the equity method, any intercompany profits on amounts still remaining are eliminated. Amounts originating from any deferral of intercompany profits are recorded within the account balance to which the transaction specifically relates (e.g., inventory). Only upon settlement of the intercompany transaction with a third party is the deferral of the intercompany profit recognized by UNIFI.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities, certain financial statement disclosures at the date of the financial statements, and the reported amounts of revenues and expenses during the period. UNIFI’s consolidated financial statements include amounts that are based on management’s best estimates and judgments. Actual results may vary from these estimates. These estimates are reviewed periodically to determine if a change is required.

Cash and Cash Equivalents

Cash equivalents are defined as highly liquid, short-term investments having an original maturity of three months or less. Book overdrafts, for which the bank has not advanced cash, if any, are reclassified to accounts payable and reflected as an offset thereto within the accompanying consolidated statements of cash flows.

Receivables

Receivables are stated at their net realizable value. Allowances are provided for known and potential losses arising from yarn quality claims and for amounts owed by customers. Reserves for yarn quality claims are based on historical claim experience and known pending claims and are recorded as a reduction of net sales. The allowance for uncollectible accounts is shown as a reduction of operating income and reflects UNIFI's best estimate of probable losses inherent in its accounts receivable portfolio determined on the basis of historical write off experience, aging of trade receivables, specific allowances for known troubled accounts and other currently available information. Customer accounts are written off against the allowance for uncollectible accounts when they are no longer deemed to be collectible.

Inventories

UNIFI's inventories are valued at the lower of cost or net realizable value, with the cost for the majority of its inventory determined using the first-in, first-out method. Certain foreign inventories and limited categories of supplies are valued using the average cost method. UNIFI's estimates for inventory reserves for obsolete, slow-moving or excess inventories are based upon many factors, including historical recovery rates, the aging of inventories on-hand, inventory movement and expected net realizable value of specific products, and current economic conditions.

Debt Issuance Costs

Debt issuance costs are recorded to long-term debt and amortized as additional interest expense following either the effective interest method or the straight-line method. In the event of any prepayment of its debt obligations, UNIFI accelerates the recognition of a pro-rata amount of issuance costs and records an extinguishment of debt.

Property, Plant and Equipment

Property, plant and equipment ("PP&E") are stated at historical cost less accumulated depreciation. Plant and equipment under capital leases are stated at the present value of minimum lease payments less accumulated amortization. Additions or improvements that substantially extend the useful life of a particular asset are capitalized. Depreciation is calculated primarily utilizing the straight-line method over the following useful lives:

Asset categories	**Useful lives in years**
Land improvements	Five to Twenty
Buildings and improvements	Fifteen to Forty
Machinery and equipment	Two to Twenty-five
Computer, software and office equipment	Three to Seven
Internal software development costs	Three
Transportation equipment	Three to Fifteen

Leasehold improvements are depreciated over the lesser of their estimated useful lives or the remaining term of the lease.

Assets under capital leases are amortized in a manner consistent with UNIFI's normal depreciation policy if ownership is transferred by the end of the lease, or if there is a bargain purchase option. If such ownership criteria are not met, amortization occurs over the shorter of the lease term or the asset's useful life.

UNIFI capitalizes its costs of developing internal software when the software is used as an integral part of its manufacturing or business processes and the technological feasibility has been established. Internal software costs are amortized over a period of three years and, in accordance with the project type, charged to cost of sales or selling, general and administrative ("SG&A") expenses.

Fully depreciated assets are retained in cost and accumulated depreciation accounts until they are removed from service. In the case of disposals, asset costs and related accumulated depreciation amounts are removed from the accounts, and the net amounts, less proceeds from disposal, are included in the determination of net income and presented within other operating expense (income), net.

Repair and maintenance costs related to PP&E, which do not significantly increase the useful life of an existing asset or do not significantly alter, modify or change the capabilities or production capacity of an existing asset are expensed as incurred.

Interest is capitalized for capital projects requiring a construction period.

PP&E and other long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets to be disposed of by sale within one year are classified as held for sale and are reported at the lower of carrying amount or fair value less cost to sell. Depreciation ceases for all assets classified as held for sale. Long-lived assets to be disposed of other than by sale are classified as held for use until they are disposed of and these assets are reported at the lower of their carrying amount or estimated fair value.

Intangible Assets

Finite-lived intangible assets such as customer lists, non-compete agreements, licenses, trademarks and patents are amortized over their estimated useful lives. UNIFI periodically evaluates the reasonableness of the useful lives of these assets. Once these assets are fully amortized, they are removed from the accounts. These assets are reviewed for impairment or obsolescence whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If impaired, intangible assets are written down to fair value based on discounted cash flows or other valuation techniques. UNIFI has no intangibles with indefinite lives.

Investments in Unconsolidated Affiliates

UNIFI evaluates its investments in unconsolidated affiliates for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Derivative Instruments

All derivatives are carried on the balance sheet at fair value and are classified according to their asset or liability position and the expected timing of settlement. On the date the derivative contract is entered into, UNIFI may designate the derivative into one of the following categories:

- Fair value hedge – a hedge of the fair value of a recognized asset or liability or a firm commitment. Changes in the fair value of derivatives designated and qualifying as fair value hedges, as well as the offsetting gains and losses on the hedged items, are reported in income in the same period.
- Cash flow hedge – a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability. The effective portion of gains and losses on cash flow hedges are recorded in accumulated other comprehensive loss, until the underlying transactions are recognized in income. When the hedged item is realized, gains or losses are reclassified from accumulated other comprehensive loss to current period earnings on the same line item as the underlying transaction.
- Net investment hedge – if a derivative is used as a foreign currency hedge of a net investment in a foreign operation, its changes in fair value, to the extent effective as a hedge, are recorded in foreign currency translation adjustments in accumulated other comprehensive loss.

Derivatives that are not designated for hedge accounting are marked to market at the end of each period with the changes in fair value recognized in current period earnings. Settlements of any fair value or cash flow derivative contracts are classified as cash flows from operating activities.

Fair Value Measurements

The accounting guidance for fair value measurements and disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (the exit price). Fair value is based on assumptions that market participants would use when pricing the asset or liability. The hierarchy gives the highest priority to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. UNIFI uses the following to measure fair value for its assets and liabilities:

- Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either indirectly or directly.
- Level 3 – Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The classification of assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recorded to recognize the expected future tax benefits or costs of events that have been, or will be, reported in different tax years for financial statement purposes than for tax purposes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which these items are expected to reverse. UNIFI reviews deferred tax assets to determine if it is more-likely-than-not they will be realized. If UNIFI determines it is not more-likely-than-not that a deferred tax asset will be realized, it records a valuation allowance to reverse the previously recognized benefit. Provision is made for taxes on undistributed earnings of foreign subsidiaries and related companies to the extent that such earnings are not deemed to be permanently invested.

UNIFI recognizes tax benefits related to uncertain tax positions if it believes it is more-likely-than-not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. UNIFI accrues for other tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. Penalties and interest related to income tax expense, if incurred, is included in provision for income taxes.

Stock-Based Compensation

Compensation expense for stock awards is based on the grant date fair value and expensed over the applicable vesting period. UNIFI has a policy of issuing new shares to satisfy stock option exercises and restricted stock unit conversions. For awards with a service condition and a graded vesting schedule, UNIFI has elected an accounting policy of recognizing compensation cost on a straight-line basis over the requisite service period for each separate vesting portion of the award as if the award was, in-substance, multiple awards.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries whose functional currency is other than the U.S. Dollar (“USD”) are translated at exchange rates existing at the respective balance sheet dates. Translation gains and losses are not included in determining net income, but are presented in a separate component of accumulated other comprehensive loss. UNIFI translates the results of operations of its foreign operations at the average exchange rates during the respective periods. Transaction gains and losses are included within other operating expense (income), net.

Revenue Recognition

UNIFI recognizes revenue when (i) there is persuasive evidence of an arrangement, (ii) the sales price is fixed or determinable, (iii) title and the risks of ownership have been transferred to the customer and (iv) collection of the receivable is reasonably assured. For the sale of goods, revenue recognition occurs primarily upon shipment. For service arrangements, revenue is recognized (a) when transportation services have been completed in accordance with the bill of lading contract or (b) in accordance with contractual agreements with customers utilizing the criteria above. Revenue includes amounts for duties and import taxes, interest billed to customers, and shipping and handling costs billed to customers. Revenue excludes value-added taxes or other sales taxes and includes any applicable deductions for returns and allowances, yarn claims and discounts.

Cost of Sales

The major components of cost of sales are: (i) materials and supplies, (ii) labor and fringe benefits, (iii) utility and overhead costs associated with manufactured products, (iv) cost of products purchased for resale, (v) shipping, handling and warehousing costs, (vi) research and development costs, (vii) depreciation expense and (viii) all other costs related to production or service activities.

Shipping, Handling and Warehousing Costs

Shipping, handling and warehousing costs include costs to store goods prior to shipment, prepare goods for shipment and physically move goods to customers.

Research and Development Costs

Research and development costs include employee costs, production costs related to customer samples, operating supplies, consulting fees and other miscellaneous costs. The cost of research and development is charged to expense as incurred. Research and development costs were as follows:

	For the Fiscal Year Ended		
	June 24, 2018	**June 25, 2017**	**June 26, 2016**
Research and development costs	$ 7,792	$ 7,177	$ 6,907

Selling, General and Administrative Expenses

The major components of SG&A expenses are: (i) costs of UNIFI’s sales force, marketing and advertising efforts, and commissions, (ii) costs of maintaining UNIFI’s general and administrative support functions including executive management, information technology, human resources, legal and finance, (iii) amortization of intangible assets and (iv) all other costs required to be classified as SG&A expenses.

Advertising Costs

Advertising costs are expensed as incurred and included in SG&A expenses. UNIFI's advertising costs include spending for items such as consumer marketing and branding initiatives, promotional items, trade shows, sponsorships and other programs. Advertising costs were as follows:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Advertising costs	$ 3,439	$ 3,070	$ 4,844

Self-Insurance

UNIFI self-insures certain risks such as employee healthcare claims. Reserves for incurred but not reported healthcare claims are estimated using historical data, the timeliness of claims processing, medical trends, inflation and any changes, if applicable, in the nature or type of the plan.

Contingencies

At any point in time, UNIFI may be a party to various pending legal proceedings, claims or environmental actions. Accruals for estimated losses are recorded at the time information becomes available indicating that losses are probable and estimable. Any amounts accrued are not discounted. Legal costs such as outside counsel fees and expenses are charged to expense as incurred.

3. Recent Accounting Pronouncements

Issued and Pending Adoption

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent ASUs were issued to provide clarity and defer the effective date of the new guidance. The new revenue recognition guidance eliminates the transaction- and industry-specific revenue recognition guidance under current GAAP and replaces it with a principles-based approach. UNIFI has completed a comprehensive identification of contracts that necessitate a change in revenue recognition in connection with the ASUs, and does not expect the impact of the change to be material for revenue streams and contracts existing as of June 24, 2018. UNIFI expects to adopt the related ASUs in fiscal 2019, utilizing the modified retrospective method, recording the impact of open contracts as of June 24, 2018 as an adjustment to the opening balance of fiscal 2019 retained earnings.

Relating to the new revenue recognition guidance, UNIFI estimates the pending impact to the opening balance of fiscal 2019 retained earnings under the modified retrospective method is less than $1,000.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. While UNIFI has not yet determined the full effect of the new guidance on its ongoing financial reporting, as of June 24, 2018, UNIFI had approximately $5,800 of future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year). The new lease guidance is effective for UNIFI's fiscal 2020, and early adoption is permitted.

Under the guidance in the Securities and Exchange Commission (the "SEC") Staff Announcement on July 20, 2017 relating to the transition to ASU No. 2014-09 and ASU No. 2016-02, due to its status as a significant subsidiary of Unifi, Inc., PAL expects to adopt (i) the new revenue recognition guidance in its fiscal 2019 and (ii) the new lease guidance in its fiscal 2020. PAL is currently evaluating the impact of the new revenue and lease guidance.

Recently Adopted

In July 2015, the FASB issued ASU No. 2015-11, *Inventory*, which modifies the subsequent measurement of inventories recorded under a first-in, first-out or average cost method. Under the new standard, such inventories are required to be measured at the lower of cost and net realizable value. The new standard was effective for UNIFI's fiscal 2018, with prospective application. UNIFI's prior principles for inventory measurement included consideration of net realizable value and, therefore, the adoption of the new standard had no significant impact on UNIFI's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments, including the accounting and classification of the respective income tax impacts, forfeitures and statutory withholding requirements. UNIFI adopted the ASU in fiscal 2018, on a prospective basis. The adoption resulted in a $230 decrease to the provision for income taxes for excess tax benefits and an immaterial increase in potential dilutive weighted average shares for fiscal 2018. In connection with the adoption of the ASU, UNIFI has elected to recognize forfeitures as they occur, and there is no corresponding retrospective adjustment to retained earnings. Additionally, UNIFI is presenting the change in classification of excess tax benefits in the condensed consolidated statements of cash flows on a prospective basis.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The ASU is intended to improve and simplify the rules around hedge accounting, reduce complexity for certain hedging concepts and better align financial reporting with an entity's risk management activities. UNIFI early adopted ASU No. 2017-12 in fiscal 2018. Adoption will allow UNIFI to (i) eliminate consideration for hedge ineffectiveness, (ii) utilize a qualitative effectiveness assessment prospectively and (iii) contemplate hedge accounting for additional risk management activities allowed by the simplified guidance. Due to a lack of complexity in UNIFI's recent risk management activities, there are no applicable cumulative adjustments to UNIFI's financial statements in connection with adoption of the ASU.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The ASU is intended to clarify the definition of a business and reduce the complexity of evaluating transactions that are more akin to asset acquisitions. UNIFI early adopted ASU No. 2017-01 in fiscal 2018. There are no current period or historical adjustments to UNIFI's financial statements required in connection with the adoption of the ASU. Any transaction that is required to be evaluated under the ASU is accounted for prospectively. In April 2018, an asset purchase agreement was evaluated under the ASU and the associated transaction was recorded as an asset acquisition.

There have been no other newly issued or newly applicable accounting pronouncements that have had, or are expected to have, a significant impact on UNIFI's consolidated financial statements.

4. Sale of Renewables

On December 23, 2016, UNIFI, through a wholly owned foreign subsidiary, entered into a Membership Interest Purchase Agreement (the "RR Agreement") to sell its 60% equity ownership interest in Repreve Renewables, LLC ("Renewables") to its existing third-party joint venture partner for $500 in cash and release of certain debt obligations (the "RR Sale"). UNIFI had no continuing involvement in the operations of Renewables subsequent to December 23, 2016.

In connection with the RR Sale, UNIFI recognized a $1,662 loss on sale of business, reflecting the difference between the cash consideration received and UNIFI's portion of Renewables' net assets on the date of the RR Agreement. The operations of Renewables during the period of UNIFI's ownership are not reflected as discontinued operations as (i) the enterprise did not have a major effect on UNIFI's consolidated operations and financial results, (ii) the disposal did not represent a strategic shift and (iii) the enterprise was not an individually significant component. The operations of Renewables up to the date of the RR Sale are reflected in continuing operations within the accompanying consolidated statements of income.

The loss on the sale of the business is not relevant to UNIFI's core operations and is not reflective of the primary revenue or expense activity of UNIFI. Therefore, UNIFI has recorded the loss on the sale of Renewables below operating income within the accompanying consolidated statements of income.

5. Receivables, Net

Receivables, net consists of the following:

	June 24, 2018	June 25, 2017
Customer receivables	$ 87,633	$ 83,291
Allowance for uncollectible accounts	(2,059)	(2,222)
Reserves for yarn quality claims	(564)	(1,278)
Net customer receivables	85,010	79,791
Related party receivables	—	6
Other receivables	1,263	1,324
Total receivables, net	$ 86,273	$ 81,121

Other receivables consists primarily of refunds due for non-income related taxes and refunds due from vendors.

The changes in UNIFI's allowance for uncollectible accounts and reserves for yarn quality claims were as follows:

	Allowance for Uncollectible Accounts	Reserves for Yarn Quality Claims
Balance at June 28, 2015	$ (1,596)	$ (581)
Charged to costs and expenses	(1,684)	(1,886)
Translation activity	(56)	(4)
Deductions	497	1,676
Balance at June 26, 2016	$ (2,839)	$ (795)
Credited (charged) to costs and expenses	123	(2,719)
Translation activity	34	3
Deductions	460	2,233
Balance at June 25, 2017	$ (2,222)	$ (1,278)
Credited (charged) to costs and expenses	38	(821)
Translation activity	125	(9)
Deductions	—	1,544
Balance at June 24, 2018	$ (2,059)	$ (564)

Amounts credited (charged) to costs and expenses for the allowance for uncollectible accounts are reflected in the (benefit) provision for bad debts and deductions represent amounts written off which were deemed to not be collectible, net of any recoveries. Amounts charged to costs and expenses for the reserves for yarn quality claims are primarily reflected as a reduction of net sales and deductions represent adjustments to either increase or decrease claims based on negotiated amounts or actual versus estimated claim differences.

6. Inventories

Inventories consists of the following:

	June 24, 2018	June 25, 2017
Raw materials	$ 45,448	$ 36,748
Supplies	7,314	6,104
Work in process	8,834	7,399
Finished goods	66,314	63,121
Gross inventories	127,910	113,372
Inventory reserves	(1,599)	(1,967)
Total inventories	$ 126,311	$ 111,405

The cost for the majority of UNIFI's inventories is determined using the first-in, first-out method. Certain foreign inventories and limited categories of supplies of $39,870 and $33,231 as of June 24, 2018 and June 25, 2017, respectively, were valued under the average cost method.

7. Other Current Assets

Other current assets consists of the following:

	June 24, 2018	June 25, 2017
Vendor deposits	$ 3,703	$ 2,992
Prepaid expenses	1,802	2,272
Value-added taxes receivable	1,024	1,197
Other	—	7
Total other current assets	$ 6,529	$ 6,468

Vendor deposits primarily relates to down payments made toward the purchase of raw materials. Prepaid expenses consists of advance payments for insurance, professional fees, membership dues, subscriptions, marketing and information technology services. Value-added taxes receivable relates to recoverable taxes associated with the sales and purchase activities of UNIFI's foreign operations.

8. Property, Plant and Equipment, Net

PP&E, net consists of the following:

	June 24, 2018	June 25, 2017
Land	$ 2,860	$ 2,931
Land improvements	15,118	15,066
Buildings and improvements	157,354	157,115
Assets under capital leases	34,568	34,568
Machinery and equipment	589,237	579,211
Computers, software and office equipment	19,723	19,360
Transportation equipment	5,029	4,798
Construction in progress	8,651	7,371
Gross PP&E	832,540	820,420
Less: accumulated depreciation	(619,654)	(612,355)
Less: accumulated amortization – capital leases	(7,370)	(4,677)
Total property, plant and equipment, net	$ 205,516	$ 203,388

Assets under capital leases consists of the following:

	June 24, 2018	June 25, 2017
Machinery and equipment	$ 24,467	$ 24,467
Transportation equipment	6,273	6,273
Building improvements	3,828	3,828
Gross assets under capital leases	$ 34,568	$ 34,568

Depreciation expense and repair and maintenance expenses were as follows:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Depreciation expense	$ 21,109	$ 18,483	$ 15,269
Repair and maintenance expenses	19,761	18,319	16,819

9. Intangible Assets, Net

Intangible assets, net consists of the following:

	June 24, 2018	June 25, 2017
Customer lists	$ 23,615	$ 23,615
Non-compete agreements	1,925	4,050
Trademarks, licenses and other	185	505
Total intangible assets, gross	25,725	28,170
Accumulated amortization – customer lists	(22,527)	(21,685)
Accumulated amortization – non-compete agreements	(108)	(3,903)
Accumulated amortization – trademarks, licenses and other	(100)	(424)
Total accumulated amortization	(22,735)	(26,012)
Total intangible assets, net	$ 2,990	$ 2,158

In fiscal 2007, UNIFI purchased certain texturing operations that are included in the Polyester Segment. The valuation of the customer list acquired was determined by estimating the discounted net earnings attributable to the customer relationships that were purchased after considering items such as possible customer attrition. Based on the length and trend of the projected cash flows, an estimated useful life of 13 years was determined. The customer list is amortized through December 2019, in a manner which reflects the expected economic benefit that will be received over its 13-year life. The non-compete agreement was fully amortized in fiscal 2018 and removed from the accompanying consolidated balance sheets accordingly.

A customer list and a non-compete agreement were recorded in connection with a business combination in fiscal 2014, utilizing similar valuation methods as described in the above fiscal 2007 transaction. The customer list is amortized over a nine-year estimated useful life based on the expected economic benefit. The non-compete agreement is amortized through December 2018 using the straight line method over the five-year term of the agreement.

In fiscal 2018, UNIFI purchased certain dyeing assets that are included in the Polyester Segment. The associated non-compete agreement was valued at $1,875 and is amortized using the straight-line method over its five-year term.

UNIFI capitalizes costs incurred to register trademarks for REPREVE® and other PVA products in various countries. UNIFI has determined that these trademarks have varying useful lives of up to three years and are being amortized using the straight-line method.

Amortization expense for intangible assets consists of the following:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Customer lists	$ 843	$ 1,020	$ 1,233
Non-compete agreements	205	287	323
Trademarks, licenses and other	62	74	145
Total amortization expense	$ 1,110	$ 1,381	$ 1,701

The following table presents the expected intangible asset amortization for the next five fiscal years:

	2019	2020	2021	2022	2023
Expected amortization	$ 1,075	$ 724	$ 442	$ 422	$ 327

10. Other Non-Current Assets

Other non-current assets consists of the following:

	June 24, 2018	June 25, 2017
Interest rate swaps	$ 2,259	$ —
Other	821	613
Total other non-current assets	$ 3,080	$ 613

On January 5, 2017, February 24, 2017 and June 1, 2017, UNIFI entered into three interest rate swaps with Wells Fargo Bank, N.A. (“Wells Fargo”), with notional amounts of $20,000 (“Swap A”), $30,000 (“Swap B”) and $25,000 (“Swap C”), respectively. The combined designated hedges fix London Interbank Offer Rate (“LIBOR”) at approximately 1.9% for $75,000 of variable rate borrowings through May 24, 2022. In accordance with hedge accounting, each swap is reflected on the accompanying consolidated balance sheets at fair value with a corresponding balance in accumulated other comprehensive loss, and impacts earnings commensurate with the forecasted transaction.

11. Accrued Expenses

Accrued expenses consists of the following:

	June 24, 2018	June 25, 2017
Payroll and fringe benefits	$ 10,833	$ 10,469
Utilities	2,594	2,562
Property taxes	835	771
Current portion of supplemental post-employment plan	508	42
Other	2,950	2,300
Total accrued expenses	$ 17,720	$ 16,144

Other consists primarily of employee-related claims and payments, interest, marketing expenses, freight expenses, rent, other non-income related taxes and deferred revenue.

12. Long-Term Debt

Debt Obligations

The following table presents the total balances outstanding for UNIFI's debt obligations, their scheduled maturity dates and the weighted average interest rates for borrowings as well as the applicable current portion of long-term debt:

	Scheduled Maturity Date	Weighted Average Interest Rate as of June 24, 2018	Principal Amounts as of June 24, 2018	Principal Amounts as of June 25, 2017
ABL Revolver	March 2020	4.1%	$ 28,100	$ 9,300
ABL Term Loan (1)	March 2020	3.7%	85,000	95,000
Capital lease obligations	(2)	3.8%	18,107	25,168
Total debt			131,207	129,468
Current portion of capital lease obligations			(6,996)	(7,060)
Current portion of other long-term debt			(10,000)	(10,000)
Unamortized debt issuance costs			(658)	(1,026)
Total long-term debt			$ 113,553	$ 111,382

(1) Includes the effects of interest rate swaps.
(2) Scheduled maturity dates for capital lease obligations range from July 2018 to November 2027.

ABL Facility

On March 26, 2015, Unifi, Inc. and its subsidiary, Unifi Manufacturing, Inc. ("UMI"), entered into an Amended and Restated Credit Agreement (as subsequently amended, the "Amended Credit Agreement") for a $200,000 senior secured credit facility (the "ABL Facility") with a syndicate of lenders. The ABL Facility consists of a $100,000 revolving credit facility (the "ABL Revolver") and a term loan that can be reset up to a maximum amount of $100,000, once per fiscal year, if certain conditions are met (the "ABL Term Loan"). Such principal increases occurred in November 2015 and November 2016 as discussed in further detail below. The ABL Facility has a maturity date of March 26, 2020.

The ABL Facility is secured by a first-priority perfected security interest in substantially all owned property and assets (together with all proceeds and products) of Unifi, Inc., UMI and certain subsidiary guarantors (the "Loan Parties"). It is also secured by a first-priority security interest in all (or 65% in the case of certain first-tier controlled foreign corporations, as required by the lenders) of the stock of (or other ownership interests in) each of the Loan Parties (other than Unifi, Inc.) and certain subsidiaries of the Loan Parties, together with all proceeds and products thereof.

If excess availability under the ABL Revolver falls below the defined Trigger Level, a financial covenant requiring the Loan Parties to maintain a fixed charge coverage ratio on a monthly basis of at least 1.05 to 1.00 becomes effective. The Trigger Level as of June 24, 2018 was $23,125. In addition, the ABL Facility contains restrictions on particular payments and investments, including certain restrictions on the payment of dividends and share repurchases. Subject to specific provisions, the ABL Term Loan may be prepaid at par, in whole or in part, at any time before the maturity date, at UNIFI's discretion.

ABL Facility borrowings bear interest at the LIBOR plus an applicable margin of 1.5% to 2.0%, or the Base Rate (as defined below) plus an applicable margin of 0.5% to 1.0%, with interest currently being paid on a monthly basis. The applicable margin is based on (i) the excess availability under the ABL Revolver and (ii) the consolidated leverage ratio, calculated as of the end of each fiscal quarter. The Base Rate means the greater of (a) the prime lending rate as publicly announced from time to time by Wells Fargo, (b) the Federal Funds Rate plus 0.5% and (c) LIBOR plus 1.0%. UNIFI's ability to borrow under the ABL Revolver is limited to a borrowing base equal to specified percentages of eligible accounts receivable and inventory and is subject to certain conditions and limitations. There is also a monthly unused line fee under the ABL Revolver of 0.25%.

As of June 24, 2018, UNIFI was in compliance with all financial covenants in the Amended Credit Agreement and the excess availability under the ABL Revolver was $53,245. At June 24, 2018, the fixed charge coverage ratio was 0.93 to 1.00 and UNIFI had $400 of standby letters of credit, none of which had been drawn upon. Management maintains the capability to quickly and easily improve the fixed charge coverage ratio utilizing existing cash and cash equivalents.

On November 18, 2016, pursuant to the principal reset conditions of the Amended Credit Agreement, UNIFI, at its discretion, reset the ABL Term Loan principal balance to $100,000. In connection with the principal reset, the ABL Term Loan is subject to quarterly amortizing payments of $2,500.

Capital Lease Obligations

There were no capital leases established in fiscal 2018. During fiscal 2017, UNIFI recorded capital leases with an aggregate present value of $14,070. The weighted average interest rate for these capital leases is 3.9%.

Scheduled Debt Maturities

The following table presents the scheduled maturities of UNIFI's outstanding debt obligations for the following five fiscal years and thereafter:

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Thereafter
ABL Revolver	$ —	$ 28,100	$ —	$ —	$ —	$ —
ABL Term Loan	10,000	75,000	—	—	—	—
Capital lease obligations	6,996	5,519	2,624	2,417	91	460
Total	$ 16,996	$ 108,619	$ 2,624	$ 2,417	$ 91	$ 460

13. Other Long-Term Liabilities

Other long-term liabilities consists of the following:

	June 24, 2018	June 25, 2017
Supplemental post-employment plan	$ 3,045	$ 2,822
Uncertain tax positions	131	5,077
Other	2,161	3,905
Total other long-term liabilities	$ 5,337	$ 11,804

UNIFI maintains an unfunded supplemental post-employment plan for certain management employees. Each employee's account is credited annually based upon a percentage of the participant's base salary, with each participant's balance adjusted quarterly to reflect the returns of a money market fund. Amounts are paid to participants six months after termination of employment.

Other primarily includes certain retiree and post-employment medical and disability liabilities, deferred revenue and deferred energy incentive credits.

14. Income Taxes

Components of Income Before Income Taxes

The components of income before income taxes consist of the following:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
United States	$ (7,852)	$ 2,689	$ 21,679
Foreign	38,063	40,586	26,564
Income before income taxes	$ 30,211	$ 43,275	$ 48,243

Components of (Benefit) Provision for Income Taxes

(Benefit) provision for income taxes consists of the following:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Current:			
Federal	$ (4,918)	$ (6,082)	$ 1,545
State	(416)	(130)	764
Foreign	9,639	10,224	6,781
Total current tax expense	4,305	4,012	9,090
Deferred:			
Federal	(5,315)	6,602	6,304
State	(872)	162	255
Foreign	391	122	(576)
Total deferred tax expense	(5,796)	6,886	5,983
(Benefit) provision for income taxes	$ (1,491)	$ 10,898	$ 15,073

On December 22, 2017, the U.S. government enacted comprehensive tax legislation H.R. 1, formerly known as the Tax Cuts and Jobs Act. H.R. 1 includes significant changes to existing tax law, including a permanent reduction to the U.S. federal corporate income tax rate from 35% to 21%, a one-time mandatory deemed repatriation of foreign earning and profits (the "toll charge"), deductions, credits and business-related exclusions.

The permanent reduction to the U.S. federal corporate income tax rate from 35% to 21% was effective January 1, 2018. When a U.S. federal tax rate change occurs during a fiscal year, taxpayers are required to compute a weighted daily average rate for the fiscal year of enactment. As a result of H.R. 1, UNIFI has calculated a U.S. federal corporate income tax rate of 28.27% for its fiscal 2018 tax year.

Staff Accounting Bulletin (“SAB”) No. 118 was issued to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to finalize the calculations for certain income tax effects of H.R. 1. In accordance with SAB No. 118, in the quarter ended December 24, 2017, we made reasonable estimates and recorded provisional amounts as described below. Under the transitional provisions of SAB No. 118, we have a one-year measurement period to complete the accounting for the initial tax effects of H.R. 1. We are still in the process of completing that accounting.

UNIFI revalued its measurable deferred tax balances based upon the new tax rate at which the temporary differences and carryforwards are expected to reverse. UNIFI recorded a tax benefit of approximately $4,297 as a result of the net change in deferred tax balances. This benefit includes a $203 measurement period adjustment to the provisional deferred rate change benefit previously disclosed, which created an effective rate increase of 0.7%. The accounting for this income tax effect of H.R. 1 is provisional, and includes estimates that may change based on further analysis performed during the one-year measurement period.

With respect to the toll charge, UNIFI has recorded a provisional charge of $3,901, net of foreign tax credits, based on the following estimates: (i) earnings and profits of foreign jurisdictions, and (ii) the finalization of taxes paid in foreign jurisdictions, and related foreign tax credits. Additionally, the estimates have been made based on UNIFI’s interpretation of H.R. 1. The U.S. Treasury has indicated in Notice 2018-07 and Notice 2018-26 that it expects to issue further guidance to clarify certain technical aspects of H.R. 1, which could impact UNIFI’s computations and provisional amounts recorded. This charge includes a $2,301 measurement period adjustment to the provisional toll charge previously disclosed, which created an effective rate increase of 7.6%.

UNIFI has recorded all known and estimable impacts of H.R. 1 that are effective for fiscal 2018. Future adjustments to the provisional numbers will be recorded as discrete adjustments to income tax expense in the period in which those adjustments become estimable and/or are finalized. UNIFI continues to review the anticipated impacts of the global intangible low-taxed income (“GILTI”), foreign derived intangible income (“FDII”) deduction, and base erosion anti-abuse tax (“BEAT”), which are not effective until fiscal 2019. UNIFI has not recorded any impact associated with either GILTI, FDII or BEAT.

Utilization of Net Operating Loss Carryforwards

Domestic deferred tax expense for fiscal 2018 includes the utilization of federal net operating loss (“NOL”) carryforwards of $843. Foreign deferred tax expense includes the utilization of NOL carryforwards of $773, $756 and $0 for fiscal 2018, 2017 and 2016, respectively. State deferred tax expense includes the utilization of NOL carryforwards of $116, $26 and $42 for fiscal 2018, 2017 and 2016, respectively.

Effective Tax Rate

Reconciliation from the federal statutory tax rate to the effective tax rate is as follows:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Federal statutory tax rate	28.3%	35.0%	35.0%
Foreign income taxed at different rates	(2.4)	(10.2)	(7.7)
Repatriation of foreign earnings and withholding taxes	1.8	1.4	(1.0)
Repatriation of foreign earnings due to tax reform	23.9	—	—
Revaluation of U.S. deferred balances due to tax reform	(14.2)	—	—
Change in valuation allowance	(12.9)	(0.5)	(3.7)
Foreign tax credits	(11.0)	—	—
Domestic production activities deduction	0.5	2.0	(0.5)
Research and other credits	(1.8)	(5.1)	4.8
State income taxes, net of federal tax benefit	(3.9)	0.2	1.5
Change in uncertain tax positions	(15.1)	1.8	1.2
Nondeductible compensation	1.6	—	—
Nondeductible expenses and other	0.3	0.6	1.6
Effective tax rate	(4.9)%	25.2%	31.2%

The effective tax rate for fiscal 2018 benefited from, among other things, (i) the release of uncertain tax positions due to settlement with tax authorities, (ii) the deferred tax benefit resulting from the revaluation of UNIFI's domestic deferred tax balances for the lower U.S. statutory rate (including valuation allowances on domestic deferred tax assets), (iii) the release of a valuation allowance on certain NOLs outside the U.S. consolidated group that are now able to be utilized and (iv) a reduction in the valuation allowance related to foreign NOLs utilized in fiscal 2018. These benefits were partially offset by (a) the one-time deemed mandatory repatriation of foreign earnings, net of foreign tax credits, (b) withholding taxes on repatriation of foreign earnings and (c) nondeductible compensation.

The effective tax rate for fiscal 2017 benefited from, among other things, (i) a lower overall effective tax rate for UNIFI's foreign earnings (reflecting free-trade zone sales in El Salvador and lower statutory tax rates in both Brazil and China), (ii) increased research and development credits, (iii) a decrease in the valuation allowance reflecting the recognition of lower taxable income versus book income for UNIFI's investment in PAL (for which UNIFI maintains a full valuation allowance) and (iv) a reduction in the valuation allowance related to foreign NOLs utilized in 2017. These benefits were partially offset by (a) a reduction in the domestic production activities deduction due to the carryback of certain losses, (b) an increase in uncertain tax positions and (c) withholding taxes on repatriation of foreign earnings.

The effective tax rate for fiscal 2016 benefited from, among other things, (i) a lower overall effective tax rate for UNIFI's foreign earnings (reflecting free-trade zone sales in El Salvador and lower statutory tax rates in both Brazil and China), (ii) a decrease in the valuation allowance reflecting the recognition of lower taxable income versus book income for UNIFI's investment in PAL (for which UNIFI maintains a full valuation allowance) and (iii) a reduction in the valuation allowance related to foreign tax credits utilized in fiscal 2016. These benefits were partially offset by (a) utilization of foreign tax credits, (b) an increase in the valuation allowance for NOLs, including Renewables, for which no tax benefit could be recognized, (c) state and local taxes net of the assumed federal benefit and (d) an increase in uncertain tax positions.

Deferred Income Taxes

The significant components of UNIFI's deferred tax assets and liabilities consist of the following:

	June 24, 2018	June 25, 2017
Deferred tax assets:		
Investments, including unconsolidated affiliates	$ 5,429	$ 7,737
State tax credits	411	338
Accrued liabilities and valuation reserves	2,829	3,952
NOL carryforwards	10,008	7,854
Intangible assets, net	2,089	3,932
Incentive compensation plans	2,130	2,487
Foreign tax credits	5,430	789
Capital loss carryforward	1,105	1,746
Research credit carryforward	—	1,115
Other items	2,226	5,224
Total gross deferred tax assets	31,657	35,174
Valuation allowance	(15,143)	(17,957)
Net deferred tax assets	16,514	17,217
Deferred tax liabilities:		
PP&E	(20,153)	(26,417)
Other	(736)	(63)
Total deferred tax liabilities	(20,889)	(26,480)
Net deferred tax liabilities	$ (4,375)	$ (9,263)

Deferred Income Taxes - Valuation Allowance

In assessing its ability to realize deferred tax assets, UNIFI considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. UNIFI considers the scheduled reversal of taxable temporary differences, taxable income in carryback years, projected future taxable income and tax planning strategies in making this assessment. Since UNIFI operates in multiple jurisdictions, the assessment is made on a jurisdiction-by-jurisdiction basis, taking into account the effects of local tax law.

The balances and activity for UNIFI's deferred tax valuation allowance are as follows:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Balance at beginning of year	$ (17,957)	$ (13,550)	$ (15,606)
Decrease (increase) in valuation allowance	2,814	(4,407)	2,056
Balance at end of year	$ (15,143)	$ (17,957)	$ (13,550)

Components of UNIFI's deferred tax valuation allowance are as follows:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Investment in a former domestic unconsolidated affiliate	$ (3,942)	$ (6,269)	$ (6,418)
Equity-method investment in PAL	(1,580)	(1,520)	(2,102)
Certain losses carried forward [(1)]	(1,562)	(5,924)	(5,030)
State NOLs	(169)	(108)	—
Other foreign NOLs	(2,460)	(3,347)	—
Foreign tax credits	(5,430)	(789)	—
Total deferred tax valuation allowance	$ (15,143)	$ (17,957)	$ (13,550)

(1) Certain U.S. NOLs and capital losses outside the U.S. consolidated tax filing group.

During fiscal 2018, UNIFI's valuation allowance decreased by $2,814. The decrease consisted of (i) the release of a $3,808 valuation allowance on NOLs outside the U.S. consolidated tax filing group that are now able to be utilized, (ii) a decrease of $3,433 related to U.S. deferred tax assets to reflect the lower federal ending deferred tax rate and (iii) a decrease of $917 related to foreign NOLs utilized in 2018. The decrease was partially offset by (a) an increase of $4,640 related to foreign tax credit carryforwards for which no benefit can be realized and (b) an increase of $635 related to UNIFI's investment in PAL due to the timing of PAL's taxable income versus book income.

During fiscal 2017, UNIFI's valuation allowance increased by $4,407. The increase consisted primarily of (i) $4,241 of foreign losses and (ii) $789 of foreign tax credit carryforwards for which no benefit can be recognized. The increase was partially offset by a net decrease of $582 related to UNIFI's investment in PAL due to the timing of PAL's taxable income versus book income.

During fiscal 2016, UNIFI's valuation allowance decreased by $2,056. The decrease consisted primarily of (i) a decrease of $1,159 related to UNIFI's investment in PAL due to the timing of PAL's taxable income versus book income and (ii) the utilization of $1,680 of foreign tax credits. The decrease was partially offset by a net increase of $858 related to UNIFI's investment in Renewables and related NOLs as a result of its continued losses.

Recognized Tax Benefits

A reconciliation of beginning and ending gross amounts of unrecognized tax benefits is as follows:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Balance at beginning of year	$ 5,236	$ 4,532	$ 4,029
Gross increases related to current period tax positions	324	473	110
Gross (decreases) increases related to tax positions in prior periods	(119)	711	1,058
Gross decreases related to settlements with tax authorities	(5,234)	(480)	(274)
Gross decreases related to lapse of applicable statute of limitations	—	—	(391)
Balance at end of year	$ 207	$ 5,236	$ 4,532

In fiscal 2018, UNIFI recognized a benefit related to the realization of unrecognized tax benefits resulting from settlements with tax authorities. UNIFI received a notice of audit dated June 29, 2017 from the Department of the Treasury, Internal Revenue Service (the "IRS"); the tax periods under audit were fiscal years 2013, 2014 and 2015. On June 21, 2018, the IRS completed its examination.

Unrecognized tax benefits would generate a favorable impact of $130 on UNIFI's effective tax rate when recognized. UNIFI does not expect material changes in uncertain tax positions within the next 12 months. The reversal of interest and penalties recognized by UNIFI within the provision for income taxes was $(1,030), $(42) and $(23) for fiscal 2018, 2017, and 2016, respectively. UNIFI had $41, $773 and $279 accrued for interest and/or penalties related to uncertain tax positions as of June 24, 2018, June 25, 2017 and June 26, 2016, respectively.

Expiration of Net Operating Loss Carryforwards and Foreign Tax Credits

As of June 24, 2018, UNIFI had U.S. federal NOL carryforwards of $19,511. Of these carryforwards, $6,930 can be carried forward indefinitely, and $12,581 will begin to expire in fiscal 2037 if unused. As of June 24, 2018, UNIFI had U.S. federal NOL carryforwards held outside the U.S. consolidated tax filing group of $6,914. These carryforwards, if unused, will begin to expire in fiscal 2035. As of June 24, 2018, UNIFI had U.S. federal capital loss carryforwards held outside the U.S. consolidated tax filing group of $4,489, which carry a full valuation allowance. These carryforwards, if unused, will begin to expire in fiscal 2027.

As of June 24, 2018, UNIFI had $43,589 of U.S. state NOL carryforwards that may be used to offset future taxable income, $8,426 of which are offset by a valuation allowance. Of these carryforwards, $868 can be carried forward indefinitely, and $42,721 will begin to expire in fiscal 2022 if unused. As of June 24, 2018, the Company also had U.S. state NOL carryforwards held outside the U.S. consolidated tax filing group of $19,192, $12,279 of which are offset by a valuation allowance. These carryforwards, if unused, will begin to expire in fiscal 2019.

As of June 24, 2018, UNIFI had foreign NOL carryforwards of $9,866, which are offset by a full valuation allowance. These carryforwards, if unused, will begin to expire in fiscal 2019.

As of June 24, 2018, UNIFI had U.S. federal foreign tax credits of $3,791, which are offset by a full valuation allowance. These carryforwards, if unused, will begin to expire in fiscal 2028.

As of June 24, 2018, UNIFI had foreign tax credits in foreign jurisdictions of $1,639 with no expiration, which are offset by a full valuation allowance.

Tax Years Subject to Examination

Unifi, Inc. and its domestic subsidiaries file a consolidated federal income tax return, as well as income tax returns in multiple state and foreign jurisdictions. The tax years subject to examination vary by jurisdiction. UNIFI regularly assesses the outcomes of both completed and ongoing examinations to ensure that UNIFI's provision for income taxes is sufficient.

In fiscal 2018, the IRS examined UNIFI's federal income tax returns for fiscal 2014 and 2015, and re-examined the federal income tax return for fiscal 2013. The examination closed with no proposed adjustments.

In fiscal 2016, the IRS examined UNIFI's federal income tax return for fiscal 2013. The examination closed with no material assessment.

In fiscal 2016, the North Carolina Department of Revenue initiated an audit for tax periods ending June 24, 2012 to June 28, 2015. The audit was not concluded at the end of fiscal 2018. No material assessment is anticipated.

UNIFI is currently under appeal in Colombia for tax years 2006 and 2007. UNIFI believes it is more-likely-than-not to conclude the appeal with no material assessment.

Statutes related to material foreign jurisdictions are open from January 1, 2013 and material state jurisdictions from June 29, 2014. Certain carryforward tax attributes generated in years prior remain subject to examination and could change in subsequent tax years.

Indefinite Reinvestment Assertion

As of June 24, 2018, U.S. income taxes and foreign withholding taxes were not provided for on a cumulative total of approximately $113,855 of undistributed earnings of UNIFI's foreign subsidiaries. UNIFI intends to reinvest these earnings indefinitely in its foreign subsidiaries. If at a later date, these earnings were to be repatriated to the United States, UNIFI would be required to accrue and pay state income and/or foreign local withholding taxes on these amounts. Determination of the amount of any unrecognized deferred tax liability on these undistributed earnings is not practicable. UNIFI will continue to assess the existing circumstances, including any changes in tax laws, and reevaluate the necessity for any deferred tax liability.

15. Shareholders' Equity

On April 23, 2014, UNIFI announced that its Board of Directors (the "Board") had approved a stock repurchase program (the "SRP") under which UNIFI is authorized to acquire up to $50,000 of its common stock. The SRP has no stated expiration or termination date, and there is no time limit or specific time frame otherwise for repurchases. Under the SRP, purchases may be completed in accordance with SEC regulations at prevailing market prices, through open market purchases or privately negotiated transactions, at such times and prices and in such manner as determined by management, subject to market conditions, applicable legal requirements, contractual obligations and other factors. Repurchases, if any, are expected to be financed through cash generated from operations and borrowings under the ABL Revolver, and are subject to applicable limitations and restrictions as set forth in the ABL Facility. UNIFI may discontinue repurchases at any time that management determines additional purchases are not beneficial or advisable. The following table summarizes UNIFI's repurchases and retirements of its common stock under the SRP for the fiscal periods noted.

	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Approximate Dollar Value that May Yet Be Repurchased Under Publicly Announced Plans or Programs
Fiscal 2014	251	$ 23.19	
Fiscal 2015	349	$ 29.72	
Fiscal 2016	206	$ 30.13	
Fiscal 2017	—	$ —	
Fiscal 2018	—	$ —	
Total	806	$ 27.79	$ 27,603

All repurchased shares have been retired and have the status of authorized and unissued shares. The cost of the repurchased shares is recorded as a reduction to common stock to the extent of the par value of the shares acquired and the remainder is allocated between capital in excess of par value, on a pro rata basis, and retained earnings.

No dividends were paid in the three most recent fiscal years.

16. Stock-Based Compensation

On October 23, 2013, UNIFI's shareholders approved the Unifi, Inc. 2013 Incentive Compensation Plan (the "2013 Plan"). The 2013 Plan replaced the 2008 Unifi, Inc. Long-Term Incentive Plan (the "2008 LTIP"). No additional awards can be granted under the 2008 LTIP; however, prior awards outstanding under the 2008 LTIP remain subject to that plan's provisions. The 2013 Plan authorized the issuance of 1,000 shares of common stock, subject to certain increases in the event outstanding awards under the 2008 LTIP expire, are forfeited or otherwise terminate unexercised.

The following table provides information as of June 24, 2018 with respect to the number of securities remaining available for future issuance under the 2013 Plan:

Authorized under the 2013 Plan	1,000
Plus: Awards expired, forfeited or otherwise terminated unexercised from the 2008 LTIP or the 2013 Plan	369
Less: Awards granted to employees	(720)
Less: Awards granted to non-employee directors	(135)
Available for issuance under the 2013 Plan	514

Stock Options

During fiscal 2018, 2017 and 2016, UNIFI granted stock options to purchase 73, 153 and 82 shares of its common stock, respectively, to certain key employees. The stock options vest ratably over the required three-year service period and have 10-year contractual terms. For fiscal 2018, 2017 and 2016, the weighted average exercise price of the stock options granted was $32.61, $28.82 and $32.36 per share, respectively. UNIFI used the Black-Scholes model to estimate the weighted average grant date fair value of $11.14, $10.13 and $20.27 per share, respectively.

For stock options granted, the valuation models used the following assumptions:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Expected term (years)	5.2	5.0	7.6
Risk-free interest rate	2.0%	1.4%	2.1%
Volatility	34.3%	37.9%	60.5%
Dividend yield	—	—	—

UNIFI uses historical data to estimate the expected term and volatility. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant for periods corresponding with the expected term of the stock options.

A summary of stock option activity for fiscal 2018 is as follows:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at June 25, 2017	478	$ 19.93		
Granted	73	$ 32.61		
Exercised	(123)	$ 12.49		
Cancelled or forfeited	(23)	$ 32.82		
Expired	—	$ —		
Outstanding at June 24, 2018	405	$ 23.73	6.4	$ 3,244
Vested and expected to vest as of June 24, 2018	405	$ 23.73	6.4	$ 3,244
Exercisable at June 24, 2018	246	$ 19.49	4.9	$ 2,976

At June 24, 2018, all stock options subject to a market condition were vested.

At June 24, 2018, the remaining unrecognized compensation cost related to the unvested stock options was $707, which is expected to be recognized over a weighted average period of 1.4 years.

For fiscal 2018, 2017 and 2016, the total intrinsic value of stock options exercised was $2,703, $5,802 and $598, respectively. The amount of cash received from the exercise of stock options was $219, $2,787 and $181 for fiscal 2018, 2017 and 2016, respectively. The tax benefit realized from stock options exercised was $398, $1,517 and $155 for fiscal 2018, 2017 and 2016, respectively.

Restricted Stock Units

During fiscal 2018, 2017 and 2016, UNIFI granted 86, 150 and 20 restricted stock units ("RSUs"), respectively, to certain key employees. The employee RSUs are subject to a vesting restriction and convey no rights of ownership in shares of Company common stock until such employee RSUs have vested and been distributed to the grantee in the form of Company common stock. The employee RSUs vest over a three-year period, and will be converted into an equivalent number of shares of Company common stock (for distribution to the grantee) on each vesting date, unless the grantee has elected to defer the receipt of the shares of stock until separation from service. UNIFI estimated the fair value of each employee RSU granted during fiscal 2018, 2017 and 2016 to be $32.16, $27.66 and $27.46 respectively.

During fiscal 2018, 2017 and 2016, UNIFI granted 30, 31 and 28 RSUs, respectively, to UNIFI's non-employee directors. The director RSUs became fully vested on the grant date. The director RSUs convey no rights of ownership in shares of Company common stock until such director RSUs have been distributed to the grantee in the form of Company common stock. The vested director RSUs will be converted into an equivalent number of shares of Company common stock and distributed to the grantee following the grantee's termination of service as a member of the Board. With respect to the RSUs granted in fiscal 2017 and 2016, the grantee may elect to defer receipt of the shares of Company common stock in accordance with the deferral options provided under the Unifi, Inc. Director Deferred Compensation Plan. UNIFI estimated the fair value of each director RSU granted during fiscal 2018, 2017 and 2016 to be $35.83, $29.09 and $28.08, respectively.

UNIFI estimates the fair value of RSUs based on the market price of UNIFI's common stock at the award grant date.

A summary of the RSU activity for fiscal 2018 is as follows:

	Non-vested	Weighted Average Grant Date Fair Value	Vested	Total	Weighted Average Grant Date Fair Value
Outstanding at June 25, 2017	150	$ 27.66	131	281	$ 25.02
Granted	116	$ 33.12	—	116	$ 33.12
Vested	(64)	$ 31.39	64	—	$ —
Converted	—	$ —	(47)	(47)	$ 26.35
Cancelled or forfeited	(4)	$ 36.31	—	(4)	$ 36.31
Outstanding at June 24, 2018	198	$ 29.50	148	346	$ 27.45

At June 24, 2018, the number of RSUs vested and expected to vest was 346, with an aggregate intrinsic value of $10,918. The aggregate intrinsic value of the 148 vested RSUs at June 24, 2018 was $4,650.

The remaining unrecognized compensation cost related to the unvested RSUs at June 24, 2018 was $3,340, which is expected to be recognized over a weighted average period of 1.7 years.

For fiscal 2018, 2017 and 2016, the total intrinsic value of RSUs converted was $1,620, $2,120 and $553, respectively. The tax benefit realized from the conversion of RSUs was $247, $806 and $221 for fiscal 2018, 2017 and 2016, respectively.

Summary

The total cost charged against income related to all stock-based compensation arrangements was as follows:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Stock options	$ 884	$ 749	$ 1,379
RSUs	4,042	1,432	961
Total compensation cost	$ 4,926	$ 2,181	$ 2,340

The total income tax benefit recognized for stock-based compensation was $442, $599 and $592 for fiscal 2018, 2017 and 2016, respectively.

As of June 24, 2018, total unrecognized compensation costs related to all unvested stock-based compensation arrangements were $4,047. The weighted average period over which these costs are expected to be recognized is 1.6 years.

17. Defined Contribution Plan

UNIFI matches employee contributions made to the Unifi, Inc. Retirement Savings Plan (the "401(k) Plan"), a 401(k) defined contribution plan, which covers eligible domestic salary and hourly employees. Under the terms of the 401(k) Plan, UNIFI matches 100% of the first 3% of eligible employee contributions and 50% of the next 2% of eligible contributions.

The following table presents the employer matching contribution expense related to the 401(k) Plan:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Matching contribution expense	$ 2,643	$ 2,538	$ 2,331

18. Fair Value of Financial Instruments and Non-Financial Assets and Liabilities

Financial Instruments

UNIFI may use derivative financial instruments such as foreign currency forward contracts or interest rate swaps to reduce its ongoing business exposures to fluctuations in foreign currency exchange rates or interest rates. UNIFI does not enter into derivative contracts for speculative purposes.

Foreign Currency Forward Contracts

UNIFI may enter into foreign currency forward contracts as economic hedges for exposures related to certain sales, inventory purchases and equipment purchases which are denominated in currencies that are not its functional currency. Foreign currency forward contracts are not designated as hedges by UNIFI and are marked to market each period and offset by the foreign exchange (gains) losses included in other operating expense (income), net resulting from the underlying exposures of the foreign currency denominated assets and liabilities. As of June 24, 2018 and June 25, 2017, there were no outstanding foreign currency forward contracts. However, UNIFI utilized a foreign currency forward contract during fiscal 2017, for which the impact to the consolidated financial statements was insignificant.

Interest Rate Swaps

UNIFI's primary debt obligations utilize variable-rate LIBOR, exposing the Company to variability in interest payments due to changes in interest rates. Management enters into LIBOR-based interest rate swap agreements to manage fluctuations in cash flows resulting from changes in the benchmark LIBOR. Under the terms of the interest rate swaps, UNIFI effectively receives LIBOR-based variable interest rate payments and makes fixed interest rate payments, thereby fixing the variable rate cash flows on the notional amount of debt obligations.

On January 5, 2017, February 24, 2017 and June 1, 2017, UNIFI entered into Swap A, Swap B and Swap C. The combined designated hedges fix LIBOR at approximately 1.9% for $75,000 of variable rate borrowings through May 24, 2022. In accordance with hedge accounting, each swap is reflected on the balance sheet at fair value with a corresponding balance in accumulated other comprehensive loss, and impacts earnings commensurate with the forecasted transaction.

On May 18, 2012, UNIFI entered into a five-year, $50,000 interest rate swap ("Swap D") with Wells Fargo to provide a hedge against the variability of cash flows related to LIBOR-based variable rate borrowings under the ABL Facility. On November 26, 2012, UNIFI de-designated Swap D as a cash flow hedge. Swap D allowed UNIFI to fix LIBOR at 1.06% and terminated on May 24, 2017. See Note 19, "Accumulated Other Comprehensive Loss," for detail regarding the reclassifications of amounts from accumulated other comprehensive loss related to Swap D.

Contingent Consideration

In December 2013, UNIFI acquired certain draw-winding assets in a business combination and recorded a $2,500 contingent consideration liability (Level 3 classification in the fair value hierarchy). There has been no material fair value activity relevant to the contingent consideration since its establishment, and the balance at June 24, 2018 is primarily a result of the life-to-date payments made.

UNIFI's financial assets and liabilities accounted for at fair value on a recurring basis and the level within the fair value hierarchy used to measure these items are as follows:

As of June 24, 2018	Notional Amount		Balance Sheet Location	Fair Value Hierarchy	Fair Value	
Swap A	USD	$ 20,000	Other non-current assets	Level 2	$	584
Swap B	USD	$ 30,000	Other non-current assets	Level 2	$	877
Swap C	USD	$ 25,000	Other non-current assets	Level 2	$	798
Contingent consideration		—	Accrued expenses	Level 3	$	529

As of June 25, 2017	Notional Amount		Balance Sheet Location	Fair Value Hierarchy	Fair Value	
Swap A	USD	$ 20,000	Other long-term liabilities	Level 2	$	243
Swap B	USD	$ 30,000	Other long-term liabilities	Level 2	$	364
Swap C	USD	$ 25,000	Other long-term liabilities	Level 2	$	201
Contingent consideration		—	Accrued expenses and other long-term liabilities	Level 3	$	925

Estimates for the fair value of UNIFI's derivative contracts are obtained from month-end market quotes for contracts with similar terms.

Swaps A, B and C, designated hedges, impacted interest expense for fiscal 2018 and 2017 by $319 and $42, respectively. Swap D, a de-designated hedge, impacted interest expense for fiscal 2017 and 2016 by $178 and $375, respectively.

By entering into derivative contracts, UNIFI exposes itself to counterparty credit risk. UNIFI attempts to minimize this risk by selecting counterparties with investment grade credit ratings and regularly monitoring those ratings. UNIFI's derivative instruments do not contain any credit-risk-related contingent features.

UNIFI believes that there have been no significant changes to its credit risk profile or the interest rates available to UNIFI for debt issuances with similar terms and average maturities, and UNIFI estimates that the fair values of its debt obligations approximate the carrying amounts. Other financial instruments include cash and cash equivalents, receivables, accounts payable and accrued expenses. The financial statement carrying amounts of these items approximate the fair values due to their short-term nature.

There were no transfers into or out of the levels of the fair value hierarchy for fiscal 2018, 2017 and 2016.

Non-Financial Assets and Liabilities

UNIFI did not have any non-financial assets or liabilities that were required to be measured at fair value on a recurring or non-recurring basis.

19. Accumulated Other Comprehensive Loss

The components of and the changes in accumulated other comprehensive loss, net of tax, as applicable, consist of the following:

	Foreign Currency Translation Adjustments	Changes in Interest Rate Swaps	Accumulated Other Comprehensive Loss
Balance at June 28, 2015	$ (26,752)	$ (147)	$ (26,899)
Other comprehensive (loss) income, net of tax	(2,929)	77	(2,852)
Balance at June 26, 2016	$ (29,681)	$ (70)	$ (29,751)
Other comprehensive loss, net of tax	(2,691)	(438)	(3,129)
Balance at June 25, 2017	$ (32,372)	$ (508)	$ (32,880)
Other comprehensive (loss) income, net of tax	(9,896)	2,243	(7,653)
Balance at June 24, 2018	$ (42,268)	$ 1,735	$ (40,533)

A summary of other comprehensive (loss) income for fiscal 2018, 2017 and 2016 is provided as follows, noting there is no tax impact for fiscal 2016:

	Fiscal 2018			Fiscal 2017			Fiscal 2016	
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax	Pre-tax	After-tax
Other comprehensive (loss) income:								
Foreign currency translation adjustments	$ (9,250)	$ —	$ (9,250)	$ (2,936)	$ —	$ (2,936)	$ (2,135)	$ (2,135)
Foreign currency translation adjustments for an unconsolidated affiliate	(646)	—	(646)	245	—	245	(794)	(794)
Changes in interest rate swaps, net of reclassification adjustments	3,067	(824)	2,243	(737)	299	(438)	77	77
Other comprehensive loss, net	$ (6,829)	$ (824)	$ (7,653)	$ (3,428)	$ 299	$ (3,129)	$ (2,852)	$ (2,852)

20. Computation of Earnings Per Share

The computation of basic and diluted earnings per share ("EPS") is as follows:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Basic EPS			
Net income attributable to Unifi, Inc.	$ 31,702	$ 32,875	$ 34,415
Weighted average common shares outstanding	18,294	18,136	17,857
Basic EPS	$ 1.73	$ 1.81	$ 1.93
Diluted EPS			
Net income attributable to Unifi, Inc.	$ 31,702	$ 32,875	$ 34,415
Weighted average common shares outstanding	18,294	18,136	17,857
Net potential common share equivalents – stock options and RSUs	343	307	558
Adjusted weighted average common shares outstanding	18,637	18,443	18,415
Diluted EPS	$ 1.70	$ 1.78	$ 1.87
Excluded from the calculation of common share equivalents:			
Anti-dilutive common share equivalents	118	390	193
Excluded from the calculation of diluted shares:			
Unvested stock options that vest upon achievement of certain market conditions	—	—	—

The calculation of earnings per common share is based on the weighted average number of UNIFI's common shares outstanding for the applicable period. The calculation of diluted earnings per common share presents the effect of all potential dilutive common shares that were outstanding during the respective period, unless the effect of doing so is anti-dilutive.

21. Other Operating Expense (Income), Net

Other operating expense (income), net primarily consists of gains and losses on (i) foreign currency transactions and (ii) sale or disposal of assets, along with certain expenses related to former employees for consulting, transition, relocation or severance.

22. Investments in Unconsolidated Affiliates and Variable Interest Entities

Parkdale America, LLC

In June 1997, UNIFI and Parkdale Mills, Inc. ("Mills") entered into a Contribution Agreement that set forth the terms and conditions by which the two companies contributed all of the assets of their spun cotton yarn operations utilizing open-end and air-jet spinning technologies to create PAL. In exchange for its contribution, UNIFI received a 34% ownership interest in PAL, which is accounted for using the equity method of accounting. Effective January 1, 2012, Mills' interest in PAL was assigned to Parkdale Incorporated.

PAL is a limited liability company treated as a partnership for income tax reporting purposes. PAL is a producer of cotton and synthetic yarns for sale to the global textile industry and apparel market. Per PAL's fiscal 2017 audited financial statements, PAL had 13 manufacturing facilities located primarily in the southeast region of the United States and in Mexico, and PAL's five largest customers accounted for approximately 78% of total revenues and 73% of total gross accounts receivable outstanding. As PAL's fiscal year end is the Saturday nearest to December 31 and its results are considered significant, UNIFI files an amendment to each Annual Report on Form 10-K on or before 90 days subsequent to PAL's fiscal year end to provide PAL's audited financial statements for PAL's most recent fiscal year. UNIFI filed an amendment to its Annual Report on Form 10-K for the fiscal year ended June 25, 2017 on March 30, 2018 to provide PAL's audited financial statements for PAL's fiscal year ended December 30, 2017. UNIFI expects to file an amendment to this Annual Report on Form 10-K on or before March 29, 2019 to provide PAL's audited financial statements for PAL's fiscal year ended December 29, 2018.

The U.S. federal government maintains a program providing economic adjustment assistance to domestic users of upland cotton (the "cotton rebate program"). The cotton rebate program offers a subsidy for cotton consumed in domestic production, and the subsidy is paid the month after the eligible cotton is consumed. To be completely earned, the subsidy must be used within 18 months after the marketing year in which it is earned to purchase qualifying capital expenditures in the United States for production of goods from upland cotton. The marketing year is from August 1 to July 31. The program provides a subsidy of up to three cents per pound. In February 2014, the U.S. federal government extended the program for five years. The cotton subsidy will remain at three cents per pound for the life of the program. PAL recognizes its share of income for the cotton subsidy when the cotton has been consumed and the qualifying assets have been acquired, with an appropriate allocation methodology considering the dual criteria of the subsidy.

PAL is subject to price risk related to anticipated fixed-price yarn sales. To protect the gross margin of these sales, PAL may enter into cotton futures to manage changes in raw material prices in order to protect the gross margin of fixed-priced yarn sales. The derivative instruments used are listed and traded on an exchange and are thus valued using quoted prices classified within Level 1 of the fair value hierarchy. As of June 24, 2018, PAL had no futures contracts designated as cash flow hedges.

As of June 24, 2018, UNIFI's investment in PAL was $110,264, which was reflected within investments in unconsolidated affiliates in the accompanying consolidated balance sheets. The reconciliation between UNIFI's share of the underlying equity of PAL and its investment is as follows:

Underlying equity as of June 24, 2018	$	128,355
Initial excess capital contributions		53,363
Impairment charge recorded by UNIFI in 2007		(74,106)
Anti-trust lawsuit against PAL in which UNIFI did not participate		2,652
Investment as of June 24, 2018	$	110,264

U.N.F. Industries, Ltd.

In September 2000, UNIFI and Nilit Ltd. ("Nilit") formed a 50/50 joint venture, U.N.F. Industries Ltd. ("UNF"), for the purpose of operating nylon extrusion assets to manufacture nylon POY. Raw material and production services for UNF are provided by Nilit under separate supply and services agreements. UNF's fiscal year end is December 31 and it is a registered Israeli private company located in Migdal Ha-Emek, Israel.

UNF America, LLC

In October 2009, UNIFI and Nilit America Inc. ("Nilit America") formed a 50/50 joint venture, UNF America LLC ("UNFA"), for the purpose of operating a nylon extrusion facility which manufactures nylon POY. Raw material and production services for UNFA are provided by Nilit America under separate supply and services agreements. UNFA's fiscal year end is December 31 and it is a limited liability company treated as a partnership for income tax reporting purposes located in Ridgeway, Virginia.

In conjunction with the formation of UNFA, UNIFI entered into a supply agreement with UNF and UNFA whereby UNIFI agreed to purchase all of its first quality nylon POY requirements for texturing (subject to certain exceptions) from either UNF or UNFA. The agreement has no stated minimum purchase quantities and pricing is negotiated every six months, based on market rates. As of June 24, 2018, UNIFI's open purchase orders related to this agreement were $2,489.

UNIFI's raw material purchases under this supply agreement consist of the following:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
UNF	$ 1,800	$ 2,254	$ 2,828
UNFA	21,731	20,493	24,319
Total	$ 23,531	$ 22,747	$ 27,147

As of both June 24, 2018 and June 25, 2017, UNIFI had combined accounts payable due to UNF and UNFA of $2,301.

UNIFI has determined that UNF and UNFA are variable interest entities and has also determined that UNIFI is the primary beneficiary of these entities, based on the terms of the supply agreement. As a result, these entities should be consolidated with UNIFI's financial results. As UNIFI purchases substantially all of the output from the two entities, the two entities' balance sheets constitute 3% or less of UNIFI's current assets, total assets and total liabilities, and such balances are not expected to comprise a larger portion in the future, UNIFI has not included the accounts of UNF and UNFA in its consolidated financial statements. As of June 24 2018, UNIFI's combined investments in UNF and UNFA were $2,375 and are shown within investments in unconsolidated affiliates in the accompanying consolidated balance sheets. The financial results of UNF and UNFA are included in UNIFI's consolidated financial statements with a one-month lag, using the equity method of accounting and with intercompany profits eliminated in accordance with UNIFI's accounting policy. Other than the supply agreement discussed above, UNIFI does not provide any other commitments or guarantees related to either UNF or UNFA.

Condensed balance sheet and income statement information for UNIFI's unconsolidated affiliates (including reciprocal balances) is presented in the following tables. PAL is defined as significant and its information is separately disclosed. PAL does not meet the criteria for segment reporting. For UNIFI's fiscal 2018 and 2017, PAL's corresponding fiscal periods both consisted of 52 weeks. Depreciation and amortization for PAL for the periods presented includes amounts for PAL's foreign subsidiaries. PAL's current assets and shareholders' equity accounts as of June 25, 2017 reflect a $6,800 dividend distribution made to UNIFI on June 28, 2017, subsequent to UNIFI's fiscal 2017.

	As of June 24, 2018		
	PAL	Other	Total
Current assets	$ 289,683	$ 7,598	$ 297,281
Noncurrent assets	162,242	875	163,117
Current liabilities	71,026	3,722	74,748
Noncurrent liabilities	3,389	—	3,389
Shareholders' equity and capital accounts	377,510	4,751	382,261
UNIFI's portion of undistributed earnings	41,429	887	42,316

	As of June 25, 2017		
	PAL	Other	Total
Current assets	$ 247,820	$ 10,340	$ 258,160
Noncurrent assets	183,418	1,039	184,457
Current liabilities	54,389	3,588	57,977
Noncurrent liabilities	3,263	—	3,263
Shareholders' equity and capital accounts	373,586	7,791	381,377

	For the Fiscal Year Ended June 24, 2018		
	PAL	Other	Total
Net sales	$ 796,010	$ 24,097	$ 820,107
Gross profit	31,112	4,646	35,758
Income from operations	12,032	2,917	14,949
Net income	12,990	2,961	15,951
Depreciation and amortization	39,404	190	39,594
Cash received by PAL under cotton rebate program	13,797	—	13,797
Earnings recognized by PAL for cotton rebate program	13,334	—	13,334
Distributions received	9,236	3,000	12,236

	For the Fiscal Year Ended June 25, 2017		
	PAL	Other	Total
Net sales	$ 754,285	$ 22,905	$ 777,190
Gross profit	26,275	4,877	31,152
Income from operations	10,406	3,061	13,467
Net income	7,814	2,988	10,802
Depreciation and amortization	42,801	177	42,978
Cash received by PAL under cotton rebate program	14,293	—	14,293
Earnings recognized by PAL for cotton rebate program	13,491	—	13,491
Distributions received	822	1,500	2,322

	For the Fiscal Year Ended June 26, 2016		
	PAL	Other	Total
Net sales	$ 824,248	$ 29,463	$ 853,711
Gross profit	32,626	7,651	40,277
Income from operations	15,143	5,772	20,915
Net income	17,670	5,838	23,508
Depreciation and amortization	46,235	150	46,385
Cash received by PAL under cotton rebate program	17,057	—	17,057
Earnings recognized by PAL for cotton rebate program	16,080	—	16,080
Distributions received	1,732	3,000	4,732

As of the end of PAL's corresponding 12-month fiscal periods ending in June, PAL's amounts of deferred revenues related to the cotton rebate program were $0 for all periods.

23. Commitments and Contingencies

Collective Bargaining Agreements

While employees of UNIFI's Brazilian operations are unionized, none of the labor force employed by UNIFI's domestic or other foreign subsidiaries is currently covered by a collective bargaining agreement.

Environmental

On September 30, 2004, UNIFI completed its acquisition of polyester filament manufacturing assets located in Kinston, North Carolina from Invista S.a.r.l. ("INVISTA"). The land for the Kinston site was leased pursuant to a 99-year ground lease (the "Ground Lease") with E.I. DuPont de Nemours ("DuPont"). Since 1993, DuPont has been investigating and cleaning up the Kinston site under the supervision of the U.S. Environmental Protection Agency and the North Carolina Department of Environmental Quality ("DEQ") pursuant to the Resource Conservation and Recovery Act Corrective Action program. The program requires DuPont to identify all potential areas of environmental concern ("AOCs"), assess the extent of containment at the identified AOCs and remediate the AOCs to comply with applicable regulatory standards. Effective March 20, 2008, UNIFI entered into a lease termination agreement associated with conveyance of certain assets at the Kinston site to DuPont. This agreement terminated the Ground Lease and relieved UNIFI of any future responsibility for environmental remediation, other than participation with DuPont, if so called upon, with regard to UNIFI's period of operation of the Kinston site, which was from 2004 to 2008. At this time, UNIFI has no basis to determine if or when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same.

UNIFI continues to own property acquired in the 2004 transaction with INVISTA that has contamination from DuPont's operations and is monitored by DEQ. This site has been remediated by DuPont, and DuPont has received authority from DEQ to discontinue further remediation, other than natural attenuation. Prior to transfer of responsibility to UNIFI, DuPont has a duty to monitor and report the environmental status of the site to DEQ. UNIFI expects to assume that responsibility in calendar 2018 and will be entitled to receive from DuPont seven years of monitoring and reporting costs, less certain adjustments. At that time, UNIFI expects to assume responsibility for any future remediation of the site. At this time, UNIFI has no basis to determine if or when it will have any obligation to perform further remediation or the potential cost thereof.

Leases

UNIFI routinely leases sales and administrative office space, warehousing and distribution centers, manufacturing space, transportation equipment, manufacturing equipment, and other information technology and office equipment from third parties.

Future minimum capital lease payments and future minimum lease payments under non-cancelable operating leases (with initial lease terms in excess of one year) as of June 24, 2018 by fiscal year are:

	Capital leases	Operating leases
Fiscal 2019	$ 7,629	$ 2,281
Fiscal 2020	5,921	1,866
Fiscal 2021	2,874	1,306
Fiscal 2022	2,569	327
Fiscal 2023	193	32
Fiscal years thereafter	861	23
Total minimum lease payments	$ 20,047	$ 5,835
Less estimated executory costs	(746)	
Less interest	(1,194)	
Present value of net minimum capital lease payments	18,107	
Less current portion of capital lease obligations	(6,996)	
Long-term portion of capital lease obligations	$ 11,111	

Rental expenses incurred under operating leases and included in operating income consist of the following:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Rental expenses	$ 4,835	$ 4,357	$ 4,867

Unconditional Obligations

UNIFI is a party to unconditional obligations for certain utility and other purchase or service commitments. These commitments are non-cancelable, have remaining terms in excess of one year and qualify as normal purchases.

On a fiscal year basis, the minimum payments expected to be made as part of such commitments are as follows:

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Thereafter
Unconditional purchase obligations	$ 7,330	$ 6,841	$ 4,711	$ 2,245	$ 1,196	$ 17
Unconditional service obligations	2,052	1,416	1,103	986	388	351
Total unconditional obligations	$ 9,382	$ 8,257	$ 5,814	$ 3,231	$ 1,584	$ 368

For fiscal 2018, 2017 and 2016, total costs incurred under these commitments consisted of the following:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Costs for unconditional purchase obligations	$ 24,777	$ 26,984	$ 26,790
Costs for unconditional service obligations	2,454	2,575	641
Total	$ 27,231	$ 29,559	$ 27,431

24. Related Party Transactions

Related party receivables consist of the following:

	June 24, 2018	June 25, 2017
Salem Global Logistics, Inc.	$ —	$ 6
Total related party receivables (included within receivables, net)	$ —	$ 6

Related party payables consist of the following:

	June 24, 2018	June 25, 2017
Salem Leasing Corporation (included within accounts payable)	$ 306	$ 298
Salem Leasing Corporation (capital lease obligation)	875	947
Total related party payables	$ 1,181	$ 1,245

Related party transactions in excess of $120 for the current or prior two fiscal years consist of the matters in the table below and the following paragraphs:

		For the Fiscal Year Ended		
Affiliated Entity	**Transaction Type**	**June 24, 2018**	**June 25, 2017**	**June 26, 2016**
Salem Leasing Corporation	Transportation equipment costs and capital lease debt service	$ 3,979	$ 3,914	$ 3,751
Salem Global Logistics, Inc.	Freight service income	147	128	253

Mr. Kenneth G. Langone, a member of the Board, is a director, shareholder and non-executive Chairman of the Board of Salem Holding Company. UNIFI leases tractors and trailers from Salem Leasing Corporation, a wholly owned subsidiary of Salem Holding Company. In addition to the monthly lease payments, UNIFI also incurs expenses for routine repair and maintenance, fuel and other expenses. These leases do not contain renewal options, purchase options or escalation clauses with respect to the minimum lease charges.

Salem Global Logistics, Inc. is also a wholly owned subsidiary of Salem Holding Company. During fiscal 2018, 2017 and 2016, UNIFI earned income by providing for-hire freight services for Salem Global Logistics, Inc.

25. Business Segment Information

UNIFI defines operating segments as components of the organization for which discrete financial information is available and operating results are evaluated on a regular basis by UNIFI's Chief Executive Officer, who is the chief operating decision maker ("CODM"), in order to assess performance and allocate resources. Characteristics of the organization which were relied upon in making the determination of reportable segments include the nature of the products sold, the organization's internal structure, the trade policies in the geographic regions in which UNIFI operates, and the information that is regularly reviewed by the CODM for the purpose of assessing performance and allocating resources.

UNIFI's operating segments are aggregated into three reportable segments based on similarities between the operating segments' economic characteristics, nature of products sold, type of customer, methods of distribution and regulatory environment.

- The operations within the Polyester Segment exhibit similar long-term economic characteristics and primarily sell into an economic trading zone covered by the North American Free Trade Agreement ("NAFTA") and the Dominican Republic—Central America Free Trade Agreement ("CAFTA-DR") to similar customers utilizing similar methods of distribution. These operations derive revenues primarily from polyester-based products with sales primarily to other yarn manufacturers and knitters and weavers that produce yarn and/or fabric for the apparel, hosiery, automotive, home furnishings, industrial and other end-use markets. The Polyester Segment consists of sales and manufacturing operations in the United States and El Salvador.
- The operations within the Nylon Segment exhibit similar long-term economic characteristics and primarily sell into an economic trading zone covered by NAFTA and CAFTA-DR to similar customers utilizing similar methods of distribution. The Nylon Segment includes an immaterial operating segment in Colombia that sells similar nylon-based textile products to similar customers in Colombia and Mexico utilizing similar methods of distribution. These operations derive revenues primarily from nylon-based products with sales to knitters and weavers that produce fabric primarily for the apparel and hosiery markets. The Nylon Segment consists of sales and manufacturing operations in the United States and Colombia.
- The operations within the International Segment exhibit similar long-term economic characteristics and sell to similar customers utilizing similar methods of distribution in geographic regions that are outside of the NAFTA and CAFTA-DR economic trading zone. The International Segment primarily sells polyester-based products to knitters and weavers that produce fabric for the apparel, automotive, home furnishings, industrial and other end-use markets primarily in the South American and Asian regions. The International Segment includes a manufacturing location in Brazil and sales offices in Brazil, China and Sri Lanka.

In addition to UNIFI's reportable segments, the selected financial information presented below includes an All Other category. All Other consists primarily of Renewables (up through December 23, 2016, the date of the sale by UNIFI of its 60% equity ownership interest in Renewables) and for-hire transportation services. Revenue for Renewables was primarily derived from (i) facilitating the use of miscanthus grass as bio-fuel through service agreements and (ii) delivering harvested miscanthus grass to poultry producers for animal bedding. For-hire transportation services revenue is derived from performing common carrier services utilizing UNIFI's fleet of transportation equipment.

The operations within All Other (i) are not subject to review by the CODM at a level consistent with UNIFI's other operations, (ii) are not regularly evaluated using the same metrics applied to UNIFI's other operations and (iii) do not qualify for aggregation with an existing reportable segment. Therefore, such operations are excluded from reportable segments.

UNIFI evaluates the operating performance of its segments based upon Segment Profit (Loss), which represents segment gross profit (loss) plus segment depreciation expense. This measurement of segment profit or loss best aligns segment reporting with the current assessments and evaluations performed by, and information provided to, the CODM.

The accounting policies for the segments are consistent with UNIFI's accounting policies. Intersegment sales are omitted from the below financial information, as they are (i) insignificant to UNIFI's segments and eliminated from consolidated reporting and (ii) excluded from segment evaluations performed by the CODM.

Selected financial information is presented below:

	For the Fiscal Year Ended June 24, 2018				
	Polyester	Nylon	International	All Other	Total
Net sales	$ 364,169	$ 102,639	$ 207,884	$ 4,220	$ 678,912
Cost of sales	333,078	92,155	163,300	3,951	592,484
Gross profit	31,091	10,484	44,584	269	86,428
Segment depreciation expense	15,893	2,197	1,648	256	19,994
Segment Profit	$ 46,984	$ 12,681	$ 46,232	$ 525	$ 106,422

	For the Fiscal Year Ended June 25, 2017				
	Polyester	Nylon	International	All Other	Total
Net sales	$ 355,740	$ 112,704	$ 173,686	$ 5,140	$ 647,270
Cost of sales	315,655	100,633	131,087	5,731	553,106
Gross profit (loss)	40,085	12,071	42,599	(591)	94,164
Segment depreciation expense	13,921	2,125	1,119	638	17,803
Segment Profit	$ 54,006	$ 14,196	$ 43,718	$ 47	$ 111,967

	For the Fiscal Year Ended June 26, 2016				
	Polyester	Nylon	International	All Other	Total
Net sales	$ 383,167	$ 131,715	$ 122,554	$ 6,201	$ 643,637
Cost of sales	333,638	113,906	95,666	6,795	550,005
Gross profit (loss)	49,529	17,809	26,888	(594)	93,632
Segment depreciation expense	11,188	1,899	885	820	14,792
Segment Profit	$ 60,717	$ 19,708	$ 27,773	$ 226	$ 108,424

The reconciliations of segment gross profit (loss) to consolidated income before income taxes are as follows:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Polyester	$ 31,091	$ 40,085	$ 49,529
Nylon	10,484	12,071	17,809
International	44,584	42,599	26,888
All Other	269	(591)	(594)
Segment gross profit	86,428	94,164	93,632
SG&A expenses	56,077	50,829	47,502
(Benefit) provision for bad debts	(38)	(123)	1,684
Other operating expense (income), net	1,590	(310)	2,248
Operating income	28,799	43,768	42,198
Interest income	(560)	(517)	(610)
Interest expense	4,935	3,578	3,528
Loss on sale of business	—	1,662	—
Equity in earnings of unconsolidated affiliates	(5,787)	(4,230)	(8,963)
Income before income taxes	$ 30,211	$ 43,275	$ 48,243

The reconciliations of segment depreciation and amortization expense to consolidated depreciation and amortization expense are as follows:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Polyester	$ 15,893	$ 13,921	$ 11,188
Nylon	2,197	2,125	1,899
International	1,648	1,119	885
All Other	256	638	820
Segment depreciation expense	19,994	17,803	14,792
Other depreciation and amortization expense	2,591	2,565	2,736
Depreciation and amortization expense	$ 22,585	$ 20,368	$ 17,528

The reconciliations of segment capital expenditures to consolidated capital expenditures are as follows:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Polyester	$ 16,605	$ 25,442	$ 44,517
Nylon	1,366	1,247	2,548
International	3,099	4,734	2,755
Segment capital expenditures	21,070	31,423	49,820
Other capital expenditures	3,959	1,767	2,517
Capital expenditures	$ 25,029	$ 33,190	$ 52,337

In addition to the capital expenditures noted above, Polyester assets were added in fiscal 2017 via a construction financing arrangement.

During fiscal 2017, UNIFI changed the segmentation of cash and cash equivalents to better reflect its ability to expand operations in multiple regions. Thus, in the reconciliations below, cash and cash equivalents have been reclassified out of individual segments and into other current assets for the fiscal years presented.

The reconciliations of segment total assets to consolidated total assets are as follows:

	June 24, 2018	June 25, 2017	June 26, 2016
Polyester	$ 284,261	$ 270,819	$ 243,093
Nylon	57,378	57,789	63,141
International	95,006	80,824	66,998
Segment total assets	436,645	409,432	373,232
Other current assets	30,945	27,375	13,337
Other PP&E	17,373	14,904	16,597
Other non-current assets	4,205	279	4,864
Investments in unconsolidated affiliates	112,639	119,513	117,412
Total assets	$ 601,807	$ 571,503	$ 525,442

Product sales (excluding the All Other category) are as follows:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Polyester	$ 572,053	$ 529,426	$ 505,721
Nylon	102,639	112,704	131,715
Total	$ 674,692	$ 642,130	$ 637,436

Geographic Data

Geographic information is set forth below, beginning with net sales. Brazil and China are reported separately from other foreign countries when corresponding net sales for a fiscal year exceed 10% of consolidated net sales.

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
United States	$ 420,920	$ 424,490	$ 472,287
Brazil	110,587	109,079	83,087
China	90,998	nm	nm
Remaining Foreign Countries	56,407	113,701	88,263
Total	$ 678,912	$ 647,270	$ 643,637
Export sales from UNIFI's U.S. operations to external customers	$ 94,205	$ 104,229	$ 113,725

nm – Respective amount does not meet UNIFI's 10% threshold for disclosure.

The information for net sales is based on the operating locations from where the items were produced or distributed.

Geographic information for long-lived assets is as follows:

	June 24, 2018	June 25, 2017	June 26, 2016
United States	$ 305,229	$ 304,696	$ 292,854
Brazil	12,679	12,616	9,714
Remaining Foreign Countries	6,317	8,360	8,595
Total	$ 324,225	$ 325,672	$ 311,163

Long-lived assets are comprised of PP&E, net; intangible assets, net; investments in unconsolidated affiliates; and other non-current assets.

Geographic information for total assets is as follows:

	June 24, 2018	June 25, 2017	June 26, 2016
United States	$ 455,963	$ 445,947	$ 427,679
Brazil	59,657	58,598	53,993
Remaining Foreign Countries	86,187	66,958	43,770
Total	$ 601,807	$ 571,503	$ 525,442

26. Quarterly Results (Unaudited)

Quarterly financial data and selected highlights are as follows:

	For the Fiscal Quarter Ended			
	September 24, 2017	December 24, 2017	March 25, 2018	June 24, 2018
Net sales	$ 164,242	$ 167,478	$ 165,867	$ 181,325
Gross profit (1)	23,292	22,676	16,556	23,904
Net income including non-controlling interest	8,960	11,802	176	10,764
Less: net loss attributable to non-controlling interest	—	—	—	—
Net income attributable to Unifi, Inc. (2)	$ 8,960	$ 11,802	$ 176	$ 10,764
Net income attributable to Unifi, Inc. per common share:				
Basic (3)	$ 0.49	$ 0.65	$ 0.01	$ 0.59
Diluted (3)	$ 0.48	$ 0.63	$ 0.01	$ 0.58

	For the Fiscal Quarter Ended			
	September 25, 2016	December 25, 2016	March 26, 2017	June 25, 2017
Net sales	$ 159,969	$ 155,155	$ 160,896	$ 171,250
Gross profit	23,547	22,130	21,130	27,357
Net income including non-controlling interest	9,142	4,354	9,177	9,704
Less: net loss attributable to non-controlling interest	(261)	(237)	—	—
Net income attributable to Unifi, Inc. (4)	$ 9,403	$ 4,591	$ 9,177	$ 9,704
Net income attributable to Unifi, Inc. per common share:				
Basic (3)	$ 0.52	$ 0.25	$ 0.50	$ 0.53
Diluted (3)	$ 0.51	$ 0.25	$ 0.50	$ 0.52

(1) Gross profit for the fiscal quarter ended March 25, 2018 includes the adverse impact of sustained raw material cost increases that could not be effectively offset with corresponding selling price increases.

(2) Net income attributable to Unifi, Inc. for the fiscal quarter ended June 24, 2018 includes the reversal of a $3,380 uncertain tax position relating to certain foreign exchange income applicable to fiscal 2015.

Net income attributable to Unifi, Inc. for the fiscal quarter ended December 24, 2017 includes the reversal of a $3,807 valuation allowance on certain historical NOLs in connection with a tax status change unrelated to the federal tax reform legislation signed into law in December 2017.

(3) Income per share is computed independently for each of the periods presented. The sum of the income per share amounts for the fiscal quarters may not equal the total for the fiscal year.

(4) Net income attributable to Unifi, Inc. for the fiscal quarter ended December 25, 2016 includes a loss on sale of business of $1,662.

27. Supplemental Cash Flow Information

Cash payments for interest and taxes consist of the following:

	For the Fiscal Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Interest, net of capitalized interest of $190, $652 and $704, respectively	$ 4,459	$ 3,282	$ 3,066
Income taxes, net of refunds	9,962	8,123	9,923

Non-Cash Investing and Financing Activities

As of June 24, 2018, June 25, 2017 and June 26, 2016, $3,187, $3,234 and $4,197, respectively, were included in accounts payable for unpaid capital expenditures.

During fiscal 2017, UNIFI recorded reclassification and non-cash activity relating to a construction financing arrangement.