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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 26, 2017

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)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 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 Exchange Act). Yes ☐ No ☒

As of April 27, 2017, there were 18,221,928 shares of the registrant's common stock, par value $0.10 per share, outstanding.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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 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 economic performance, considering the information currently available to management. The words "believe," "may," "could," "will," "should," "would," "anticipate," "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;
- the success of the Company's strategic business initiatives;
- volatility of financial and credit markets;
- the ability to service indebtedness and fund capital expenditures and strategic initiatives;
- availability of and access to credit on reasonable terms;
- changes in currency exchange, interest and inflation rates;
- fluctuations in production costs;
- the ability to protect intellectual property;
- employee relations;
- 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 in "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended June 26, 2016 or elsewhere in this report.

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.

FORM 10-Q
FOR THE THREE MONTHS AND NINE MONTHS ENDED MARCH 26, 2017

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share amounts)

	March 26, 2017	June 26, 2016
ASSETS		
Cash and cash equivalents	$ 30,231	$ 16,646
Receivables, net	87,249	83,422
Inventories	109,647	103,532
Income taxes receivable	13,616	3,502
Other current assets	4,705	4,790
Total current assets	245,448	211,892
Property, plant and equipment, net	201,516	185,101
Deferred income taxes	2,383	2,387
Intangible assets, net	2,462	3,741
Investments in unconsolidated affiliates	117,910	117,412
Other non-current assets	536	4,909
Total assets	$ 570,255	$ 525,442
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 43,756	$ 41,593
Accrued expenses	15,178	18,474
Income taxes payable	2,779	1,455
Current portion of long-term debt	16,823	13,786
Total current liabilities	78,536	75,308
Long-term debt	116,474	107,805
Other long-term liabilities	10,114	10,393
Deferred income taxes	11,269	4,991
Total liabilities	216,393	198,497
Commitments and contingencies		
Common stock, $0.10 par value (500,000,000 shares authorized; 18,216,684 and 17,847,416 shares outstanding as of March 26, 2017 and June 26, 2016, respectively)	1,821	1,785
Capital in excess of par value	51,530	45,932
Retained earnings	330,236	307,065
Accumulated other comprehensive loss	(29,725)	(29,751)
Total Unifi, Inc. shareholders' equity	353,862	325,031
Non-controlling interest	—	1,914
Total shareholders' equity	353,862	326,945
Total liabilities and shareholders' equity	$ 570,255	$ 525,442

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share amounts)

	For the Three Months Ended		For the Nine Months Ended	
	March 26, 2017	March 27, 2016	March 26, 2017	March 27, 2016
Net sales	$ 160,896	$ 161,278	$ 476,020	$ 479,779
Cost of sales	139,766	137,914	409,213	413,618
Gross profit	21,130	23,364	66,807	66,161
Selling, general and administrative expenses	13,000	12,142	37,278	35,391
(Benefit) provision for bad debts	(92)	411	(554)	1,583
Other operating (income) expense, net	(885)	819	(636)	879
Operating income	9,107	9,992	30,719	28,308
Interest income	(126)	(190)	(455)	(519)
Interest expense	825	908	2,431	2,708
Loss on sale of business	—	—	1,662	—
Equity in earnings of unconsolidated affiliates	(1,600)	(4,167)	(2,073)	(7,330)
Income before income taxes	10,008	13,441	29,154	33,449
Provision for income taxes	831	4,166	6,481	10,194
Net income including non-controlling interest	9,177	9,275	22,673	23,255
Less: net loss attributable to non-controlling interest	—	(414)	(498)	(923)
Net income attributable to Unifi, Inc.	$ 9,177	$ 9,689	$ 23,171	$ 24,178
Net income attributable to Unifi, Inc. per common share:				
Basic	$ 0.50	$ 0.54	$ 1.28	$ 1.35
Diluted	$ 0.50	$ 0.53	$ 1.26	$ 1.31

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	For the Three Months Ended		For the Nine Months Ended	
	March 26, 2017	March 27, 2016	March 26, 2017	March 27, 2016
Net income including non-controlling interest	$ 9,177	$ 9,275	$ 22,673	$ 23,255
Other comprehensive income (loss):				
Foreign currency translation adjustments	1,370	3,723	11	(6,800)
Foreign currency translation adjustments for an unconsolidated affiliate	485	42	(38)	(454)
Changes in interest rate swaps, net of reclassification adjustments	15	19	53	57
Other comprehensive income (loss), net	1,870	3,784	26	(7,197)
Comprehensive income including non-controlling interest	11,047	13,059	22,699	16,058
Less: comprehensive loss attributable to non-controlling interest	—	(414)	(498)	(923)
Comprehensive income attributable to Unifi, Inc.	$ 11,047	$ 13,473	$ 23,197	$ 16,981

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	For the Nine Months Ended	
	March 26, 2017	March 27, 2016
Cash and cash equivalents at beginning of year	$ 16,646	$ 10,013
Operating activities:		
Net income including non-controlling interest	22,673	23,255
Adjustments to reconcile net income including non-controlling interest to net cash provided by operating activities:		
Equity in earnings of unconsolidated affiliates	(2,073)	(7,330)
Distributions received from unconsolidated affiliates	1,500	2,947
Depreciation and amortization expense	14,887	13,040
Loss on sale of business	1,662	—
Excess tax benefit on stock-based compensation plans	(1,168)	(120)
Deferred income taxes	6,305	7,015
Other, net	1,493	2,019
Changes in assets and liabilities:		
Receivables, net	(3,581)	(571)
Inventories	(5,720)	2,359
Other current assets	1,221	289
Income taxes receivable	(10,113)	(1,277)
Accounts payable and accrued expenses	1,246	(5,280)
Income taxes payable	1,326	786
Other, net	(372)	1,111
Net cash provided by operating activities	29,286	38,243
Investing activities:		
Capital expenditures	(27,875)	(36,769)
Proceeds from sale of assets	48	2,103
Other, net	(227)	(2,010)
Net cash used in investing activities	(28,054)	(36,676)
Financing activities:		
Proceeds from ABL Revolver	93,000	116,100
Payments on ABL Revolver	(88,100)	(118,100)
Proceeds from ABL Term Loan	14,500	17,375
Payments on ABL Term Loan	(7,250)	(6,875)
Proceeds from a term loan supplement	—	4,000
Proceeds from construction financing	—	790
Payments on capital lease obligations	(3,218)	(3,026)
Common stock repurchased and retired under publicly announced programs	—	(6,211)
Proceeds from stock option exercises	2,617	114
Excess tax benefit on stock-based compensation plans	1,168	120
Contributions from non-controlling interest	—	880
Other	(429)	(723)
Net cash provided by financing activities	12,288	4,444
Effect of exchange rate changes on cash and cash equivalents	65	(737)
Net increase in cash and cash equivalents	13,585	5,274
Cash and cash equivalents at end of period	$ 30,231	$ 15,287

See accompanying notes to condensed consolidated financial statements.

1. Background

Unifi, Inc., a New York corporation formed in 1969 (together with its subsidiaries, "Unifi," the "Company," "we," "us" or "our"), is a multi-national manufacturing company that sells innovative synthetic and recycled yarns made from polyester and nylon to other yarn manufacturers and knitters and weavers that produce fabric for the apparel, hosiery, home furnishings, automotive upholstery, industrial and other end-use markets. The Company's polyester products include plastic bottle flake, polyester polymer beads ("Chip"), partially oriented yarn ("POY"), and textured, solution and package dyed, twisted, beamed and draw wound yarns. Each yarn product is available in virgin or recycled varieties, where the recycled is made from both pre-consumer yarn waste and post-consumer waste, including plastic bottles. The Company's nylon products include textured, solution dyed and spandex covered products.

The Company maintains one of the textile industry's most comprehensive yarn product offerings that include specialized yarns, premium value-added ("PVA") yarns and commodity yarns, with its principal geographic markets in the Americas and Asia.

The Company has 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 producer of cotton and synthetic yarns for sale to the textile industry and apparel market, both foreign and domestic.

2. Basis of Presentation; Condensed Notes

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information. As contemplated by the instructions of the Securities and Exchange Commission (the "SEC") to Form 10-Q, the following notes have been condensed and, therefore, do not contain all disclosures required in connection with annual financial statements. Reference should be made to the Company's year-end audited consolidated financial statements and related notes thereto contained in its Annual Report on Form 10-K for the fiscal year ended June 26, 2016 (the "2016 Form 10-K").

The financial information included in this report has been prepared by the Company, without audit. In the opinion of management, all adjustments, which consist of normal, recurring adjustments, considered necessary for a fair statement of the results for interim periods have been included. Nevertheless, the results shown for interim periods are not necessarily indicative of results to be expected for the full year. The preparation of financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the amounts reported and certain financial statement disclosures. Actual results may vary from these estimates.

All dollar and other currency amounts and share amounts, except per share amounts, are presented in thousands (000s), except as otherwise noted.

The fiscal quarter for the Company and its subsidiary in El Salvador ended on March 26, 2017, the last Sunday in March. The fiscal quarter for the Company's Brazilian, Chinese, Sri Lankan and Colombian subsidiaries ended on March 31, 2017. There were no significant transactions or events that occurred between the Company's fiscal quarter end and certain of its subsidiaries' fiscal quarter end. The three-month and nine-month periods ended March 26, 2017 and March 27, 2016 each consisted of thirteen and thirty-nine fiscal weeks, respectively.

Reclassifications

Certain reclassifications of prior years' data have been made to conform to the current year presentation.

As of the fourth quarter of fiscal 2016, the Company updated the composition of its Polyester and Nylon Segments, intending to better reflect downstream sales for the respective product lines. In connection with such update, for the three months and nine months ended March 27, 2016, the Company has reclassified net sales and cost of sales amounts for the respective segments, as reflected in Note 21, "Business Segment Information."

The Company adopted Accounting Standards Update ("ASU") 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03") during the first quarter of fiscal 2017, along with the clarifying guidance in ASU 2015-15, *Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at*

June 18, 2015 EITF Meeting. As shown in the table below, unamortized debt issuance costs associated with outstanding debt have been reclassified to conform to the new presentation requirements as follows:

	June 26, 2016 As Previously Reported	Adjustments Due to Adoption of ASU 2015-03	June 26, 2016 As Adjusted
Debt issuance costs (within other non-current assets)	$ 1,421	$ (1,421)	$ —
Total assets	526,863	(1,421)	525,442
Long-term debt	109,226	(1,421)	107,805
Total liabilities	199,918	(1,421)	198,497

During the third quarter of fiscal 2017, the Company recorded a $749 out-of-period foreign currency gain adjustment within other operating (income) expense, net. Management believes the out-of-period adjustment is immaterial to the current and prior financial statements and earnings trends, including those within the 2016 Form 10-K.

3. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued new accounting guidance for the recognition of revenue from contracts with customers. Subsequent ASUs have been issued to provide clarity and defer the effective date. The new revenue recognition standard eliminates the transaction- and industry-specific revenue recognition guidance under current GAAP and replaces it with a principles-based approach. While the Company has not yet determined the effect of the new guidance on its ongoing financial reporting, the Company notes the following considerations: (i) the Company is primarily engaged in the business of manufacturing and delivering tangible products utilizing relatively straightforward contract terms without multiple performance obligations and (ii) transaction prices for the Company's primary and material revenue activities are determinable and lack significant timing considerations. The Company is currently performing the following activities regarding implementation: (a) reviewing material contracts and (b) assessing accounting policy elections under the new guidance with current practice. In addition, implementation matters remaining include (x) evaluating the systems and processes to support revenue recognition and (y) selecting the method of adoption. The new revenue recognition guidance is effective for the Company's fiscal 2019.

In February 2016, the FASB issued new accounting guidance for leases. 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 the Company has not yet determined the full effect of the new guidance on its ongoing financial reporting, as of March 26, 2017, the Company had approximately $7,000 of future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year). The ASU is effective for the Company's fiscal 2020, and early adoption is permitted.

In the first quarter of fiscal 2017, the Company adopted ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, that eliminates the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The Company has no measurement period adjustments in the current or comparative periods.

Based on the Company's review of ASUs issued since the filing of the 2016 Form 10-K, there have been no other newly issued or newly applicable accounting pronouncements that have, or are expected to have, a significant impact on the Company's financial condition, results of operations and cash flows.

4. Sale of Renewables

On December 23, 2016, the Company, 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 the existing third-party joint venture partner for $500 in cash (the "RR Sale"). The Company has no continuing involvement in the operations of Renewables subsequent to December 23, 2016.

In connection with the RR Sale, the Company recognized a loss on sale of business, reflecting the difference between the consideration received and the Company's portion of Renewables' net assets on the date of the RR Agreement. The operations of Renewables during the nine-month period ended March 26, 2017 are not reflected as discontinued operations as (i) the enterprise does not have a major effect on the Company's consolidated operations and financial results, (ii) the disposal does not represent a strategic shift and (iii) the enterprise is 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 condensed consolidated statements of income, with presentation consistent with that provided in the 2016 Form 10-K.

The loss on the sale of the business is not relevant to the Company's core operations and is not reflective of the primary revenue or expense activity of the Company. Therefore, the Company has recorded the loss on the sale of Renewables below operating income within the accompanying condensed consolidated statements of income.

Deconsolidation of Renewables resulted in the removal of all corresponding assets (the most significant of which was $4,472 of miscanthus grass, net of depreciation, historically reflected in other non-current assets) and liabilities and the elimination of the non-controlling interest in Renewables from the Company's condensed consolidated balance sheet, as summarized in the table below.

Purchase price	$	500
Net assets and liabilities of Renewables		(3,540)
Derecognition of non-controlling interest		1,416
Transaction-related costs		(38)
Loss on sale of business	$	(1,662)

The condensed consolidated balance sheet as of June 26, 2016 includes the consolidated accounts and operations of Renewables, along with a non-controlling interest adjustment; while the condensed consolidated balance sheet as of March 26, 2017 does not reflect any assets, liabilities or non-controlling interest of Renewables.

5. Receivables, Net

Receivables, net consists of the following:

	March 26, 2017		June 26, 2016	
Customer receivables	$	89,536	$	86,361
Allowance for uncollectible accounts		(1,858)		(2,839)
Reserves for yarn quality claims		(1,325)		(795)
Net customer receivables		86,353		82,727
Related party receivables		3		7
Other receivables		893		688
Total receivables, net	$	87,249	$	83,422

The changes in the Company's allowance for uncollectible accounts are as follows:

	Allowance for Uncollectible Accounts	
Balance at June 26, 2016	$	(2,839)
Benefit to costs and expenses		554
Translation activity		(8)
Deductions		435
Balance at March 26, 2017	$	(1,858)

6. Inventories

Inventories consists of the following:

	March 26, 2017	June 26, 2016
Raw materials	$ 36,773	$ 37,162
Supplies	6,031	5,387
Work in process	7,434	6,595
Finished goods	61,090	55,771
Gross inventories	111,328	104,915
Inventory reserves	(1,681)	(1,383)
Total inventories	$ 109,647	$ 103,532

7. Property, Plant and Equipment, Net

Property, plant and equipment, net ("PP&E") consists of the following:

	March 26, 2017	June 26, 2016
Land	$ 2,965	$ 3,154
Land improvements	15,047	13,734
Buildings and improvements	150,624	145,633
Assets under capital leases	34,287	21,525
Machinery and equipment	574,662	544,369
Computers, software and office equipment	17,921	17,823
Transportation equipment	4,780	4,713
Construction in progress	16,059	39,695
Gross property, plant and equipment	816,345	790,646
Less: accumulated depreciation	(610,780)	(602,839)
Less: accumulated amortization – capital leases	(4,049)	(2,706)
Total PP&E	$ 201,516	$ 185,101

Assets under capital leases consists of the following:

	March 26, 2017	June 26, 2016
Machinery and equipment	$ 24,347	$ 14,745
Transportation equipment	5,927	5,927
Building improvements	4,013	853
Gross assets under capital leases	$ 34,287	$ 21,525

Depreciation expense and repairs and maintenance expenses were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	March 26, 2017	March 27, 2016	March 26, 2017	March 27, 2016
Depreciation expense	$ 4,733	$ 3,781	$ 13,433	$ 11,379
Repairs and maintenance expenses	4,770	4,074	13,524	12,575

8. Intangible Assets, Net

Intangible assets, net consists of the following:

	March 26, 2017	June 26, 2016
Customer lists	$ 23,615	$ 23,615
Other	4,521	5,184
Total intangible assets, gross	28,136	28,799
Accumulated amortization – customer lists	(21,430)	(20,665)
Accumulated amortization – other	(4,244)	(4,393)
Total accumulated amortization	(25,674)	(25,058)
Total intangible assets, net	$ 2,462	$ 3,741

Total amortization expense for intangible assets was as follows:

	For the Three Months Ended		For the Nine Months Ended	
	March 26, 2017	March 27, 2016	March 26, 2017	March 27, 2016
Total amortization expense	$ 336	$ 423	$ 1,043	$ 1,284

9. Accrued Expenses

Accrued expenses consists of the following:

	March 26, 2017	June 26, 2016
Payroll and fringe benefits	$ 9,842	$ 10,370
Other	5,336	8,104
Total accrued expenses	$ 15,178	$ 18,474

Other consists primarily of accruals for utilities, property taxes, employee-related claims and payments, interest, marketing expenses, freight expenses, rent and other non-income related taxes.

10. Long-Term Debt

Debt Obligations

The following table presents the total balances outstanding for the Company'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 March 26, 2017	Principal Amounts as of	
			March 26, 2017	June 26, 2016
ABL Revolver	March 2020	2.5%	$ 11,100	$ 6,200
ABL Term Loan (1)	March 2020	2.3%	97,500	90,250
Capital lease obligations	(2)	(3)	25,815	15,798
Construction financing	(4)	(4)	—	6,629
Renewables' term loan	—	—	—	4,000
Renewables' promissory note	—	—	—	135
Total debt			134,415	123,012
Current portion of capital lease obligations			(6,823)	(4,261)
Current portion of other long-term debt			(10,000)	(9,525)
Unamortized debt issuance costs			(1,118)	(1,421)
Total long-term debt			$ 116,474	$ 107,805

(1) The weighted average interest rate as of March 26, 2017 for the ABL Term Loan includes the effects of the historical interest rate swap with a notional balance of $50,000.
(2) Scheduled maturity dates for capital lease obligations range from May 2017 to November 2027.
(3) Interest rates for capital lease obligations range from 2.7% to 4.6%.
(4) Refer to the discussion under the heading "—Construction Financing" below for further information.

ABL Revolver and ABL Term Loan

On March 26, 2015, the Company and its subsidiary, Unifi Manufacturing, Inc., 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"). The ABL Facility has a maturity date of March 26, 2020.

On November 18, 2016, pursuant to the principal reset conditions of the Amended Credit Agreement, the Company, 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.

Construction Financing

In December 2015, the Company entered into an agreement with a third-party lender that provided for construction-period financing for certain build-to-suit assets. During the construction period, the Company recorded project costs to construction in progress and the corresponding liability to construction financing (within long-term debt).

As of March 26, 2017, asset construction was complete and the project costs were reclassified from construction in progress to capital lease assets. Accordingly, the principal balance of $13,235 is reflected within capital lease obligations, with $2,698 included in current maturities, and will amortize over 60 monthly payments with an interest rate of 3.8%.

Repreve Renewables, LLC

As described in Note 4, "Sale of Renewables," the Company's sale of its 60% equity ownership interest in Renewables in December 2016 required deconsolidation of the corresponding assets and liabilities, and, accordingly, the respective debt principal balances are appropriately excluded from the Company's total long-term debt as of March 26, 2017. The Company has no joint and several liability for such debt.

Scheduled Debt Maturities

The following table presents the scheduled maturities of the Company's outstanding debt obligations for the remainder of fiscal 2017 and the fiscal years thereafter:

	Scheduled Maturities on a Fiscal Year Basis					
	2017	2018	2019	2020	2021	Thereafter
ABL Revolver	$ —	$ —	$ —	$ 11,100	$ —	$ —
ABL Term Loan	2,500	10,000	10,000	75,000	—	—
Capital lease obligations	1,707	6,852	6,891	5,322	2,555	2,488
Total	$ 4,207	$ 16,852	$ 16,891	$ 91,422	$ 2,555	$ 2,488

11. Other Long-Term Liabilities

Other long-term liabilities consists of the following:

	March 26, 2017	June 26, 2016
Uncertain tax positions	$ 4,228	$ 4,463
Other	5,886	5,930
Total other long-term liabilities	$ 10,114	$ 10,393

Other primarily includes the Company's unfunded supplemental post-employment plan, certain retiree and post-employment medical and disability liabilities, and deferred rent.

12. Income Taxes

The provision for income taxes was as follows:

	For the Three Months Ended		For the Nine Months Ended	
	March 26, 2017	March 27, 2016	March 26, 2017	March 27, 2016
Provision for income taxes	$ 831	$ 4,166	$ 6,481	$ 10,194
Effective tax rate	8.3%	31.0%	22.2%	30.5%

The effective tax rates for the periods presented above are lower than the U.S. statutory tax rate primarily due to foreign income being taxed at lower rates and a decrease in the valuation allowance for the Company's investment in PAL, partially offset by losses in tax jurisdictions for which no tax benefit could be recognized and state and local income taxes net of federal benefits. Additionally, the effective tax rates for the three months and nine months ended March 26, 2017 include the benefit of increased research and development credits, partially offset by a corresponding reduction in the domestic production activities deduction.

The Company regularly assesses the outcomes of both completed and ongoing examinations to ensure that the Company's provision for income taxes is sufficient. Certain returns that remain open to examination have utilized carryforward tax attributes generated in prior tax years, including net operating losses, which could potentially be revised upon examination.

Components of the Company's deferred tax valuation allowance are as follows:

	March 26, 2017	June 26, 2016
Investment in a former domestic unconsolidated affiliate	$ (6,326)	$ (6,418)
Equity-method investment in PAL	(1,462)	(2,102)
Certain NOLs (1)	(7,715)	(5,030)
Foreign tax credits	(562)	—
Total deferred tax valuation allowance	$ (16,065)	$ (13,550)

(1) Certain net operating losses outside the U.S. consolidated tax filing group.

13. Shareholders' Equity

	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 26, 2016	17,847	$ 1,785	$ 45,932	$ 307,065	$ (29,751)	$ 325,031	$ 1,914	$ 326,945
Options exercised	299	29	2,588	—	—	2,617	—	2,617
Conversion of restricted stock units	70	7	(7)	—	—	—	—	—
Stock-based compensation	—	—	1,849	—	—	1,849	—	1,849
Excess tax benefit on stock-based compensation plans	—	—	1,168	—	—	1,168	—	1,168
Other comprehensive income, net of tax	—	—	—	—	26	26	—	26
Deconsolidation for sale of business	—	—	—	—	—	—	(1,416)	(1,416)
Net income (loss)	—	—	—	23,171	—	23,171	(498)	22,673
Balance at March 26, 2017	18,216	$ 1,821	$ 51,530	$ 330,236	$ (29,725)	$ 353,862	$ —	$ 353,862

On January 22, 2013, the Company announced a stock repurchase program to acquire up to $50,000 of the Company's common stock. The Company completed its repurchase of shares under this program in March 2014. On April 23, 2014, the Company announced that its Board of Directors authorized a stock repurchase program to acquire $50,000 of the Company's common stock with no expiration. Purchases under the program may be done 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 the Company's debt obligations. The Company may discontinue repurchases at any time that management determines additional purchases are not beneficial or advisable. The following table summarizes the Company's repurchases and retirements of its common stock under the stock repurchase programs for the fiscal periods noted.

	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Maximum Approximate Dollar Value that May Yet Be Repurchased Under Publicly Announced Plans or Programs
Fiscal 2013	1,068	$ 18.08	
Fiscal 2014	1,524	$ 23.96	
Fiscal 2015	349	$ 29.72	
Fiscal 2016	206	$ 30.13	
Fiscal 2017 (through March 26, 2017)	—	$ —	
Total	3,147		$ 27,603

No dividends were paid during the nine months ended March 26, 2017 or in the two most recently completed fiscal years.

14. Stock-Based Compensation

On October 23, 2013, the Company'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 March 26, 2017 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	304
Less: Awards granted to employees	(461)
Less: Awards granted to non-employee directors	(101)
Available for issuance under the 2013 Plan	742

Stock options

During the nine months ended March 26, 2017 and March 27, 2016, the Company granted stock options to purchase 128 and 82 shares of common stock, respectively, to certain key employees, utilizing terms, vesting provisions and valuation methods consistent with those described in Note 16, "Stock-Based Compensation," to the consolidated financial statements in the 2016 Form 10-K.

Restricted stock units

During the nine months ended March 26, 2017 and March 27, 2016, the Company granted 31 and 24 restricted stock units ("RSUs") with no vesting requirement, respectively, to the Company's non-employee directors, utilizing terms and valuation methods consistent with those described in Note 16, "Stock-Based Compensation," to the consolidated financial statements in the 2016 Form 10-K.

During the nine months ended March 26, 2017 and March 27, 2016, the Company granted 75 and 20 RSUs to certain key employees, respectively.

15. Fair Value of Financial Instruments and Non-Financial Assets and Liabilities

The Company 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. The Company does not enter into derivative contracts for speculative purposes.

On January 5, 2017 and February 24, 2017, the Company entered into two interest rate swaps, with notional amounts of $20,000 and $30,000, respectively. As a result, the Company was a party to three interest rate swaps as of March 26, 2017, including the aforementioned $20,000 interest rate swap ("Swap A") and the $30,000 interest rate swap ("Swap B"), as well as a historical interest rate swap that was de-designated on November 26, 2012 and terminates on May 24, 2017. Swap A and Swap B are designated hedges.

Swap A and Swap B each fix LIBOR at 1.94% for the respective amount of variable rate borrowings for the five-year period beginning May 24, 2017. In accordance with hedge accounting, Swap A and Swap B are reflected on the balance sheet at fair value with a corresponding balance in accumulated other comprehensive loss, and impact earnings commensurate with the forecasted transaction.

For the nine months ended March 26, 2017 and March 27, 2016, the Company's financial assets and liabilities accounted for at fair value (including the Level 2 interest rate swaps discussed above) had an insignificant impact to the Company's financial condition and results of operations. Accordingly, the Company has provided no further fair value disclosures. Additionally, there were no transfers into or out of the levels of the fair value hierarchy.

16. Accumulated Other Comprehensive Loss

The components 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, Net of Reclassification Adjustments	Accumulated Other Comprehensive Loss
Balance at June 26, 2016	$ (29,681)	$ (70)	$ (29,751)
Other comprehensive (loss) income, net of tax	(27)	53	26
Balance at March 26, 2017	$ (29,708)	$ (17)	$ (29,725)

A summary of the after-tax effects of the components of other comprehensive loss for the three-month and nine-month periods ended March 26, 2017 and March 27, 2016 is included in the accompanying condensed consolidated statements of comprehensive income. The summary excludes pre-tax and tax amounts, as there are no tax components for the relevant activity.

17. Earnings Per Share

The components of the calculation of earnings per share ("EPS") are as follows:

	For the Three Months Ended		For the Nine Months Ended	
	March 26, 2017	March 27, 2016	March 26, 2017	March 27, 2016
Net income attributable to Unifi, Inc.	$ 9,177	$ 9,689	$ 23,171	$ 24,178
Basic weighted average shares	18,210	17,838	18,105	17,861
Net potential common share equivalents – stock options and RSUs	283	579	315	621
Diluted weighted average shares	18,493	18,417	18,420	18,482
Excluded from diluted weighted average shares:				
Anti-dilutive common share equivalents	261	224	315	143

The calculation of EPS is based on the weighted average number of the Company'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.

18. Investments in Unconsolidated Affiliates and Variable Interest Entities

The Company currently maintains investments in three entities classified as unconsolidated affiliates: PAL; U.N.F. Industries Ltd. (“UNF”); and UNF America LLC (“UNFA”). As of March 26, 2017, the Company’s investment in PAL was $114,343 and the Company’s combined investments in UNF and UNFA were $3,567, each of which is reflected within investments in unconsolidated affiliates in the accompanying condensed consolidated balance sheets.

Parkdale America, LLC

PAL is a limited liability company treated as a partnership for income tax reporting purposes. The Company accounts for its investment in PAL using the equity method of accounting. 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. 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 March 26, 2017, PAL had no futures contracts designated as cash flow hedges.

The reconciliation between the Company’s share of the underlying equity of PAL and its investment is as follows:

Underlying equity as of March 26, 2017	$	132,565
Initial excess capital contributions		53,363
Impairment charge recorded by the Company in fiscal 2007		(74,106)
Anti-trust lawsuit against PAL in which the Company did not participate		2,652
Cotton rebate program adjustments		(131)
Investment as of March 26, 2017	$	114,343

U.N.F. Industries Ltd.

Raw material and production services for UNF are provided by the Company’s 50% joint venture partner 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

Raw material and production services for UNFA are provided by the Company’s 50% joint venture partner 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, the Company entered into a supply agreement with UNF and UNFA whereby the Company 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 March 26, 2017, the Company’s open purchase orders related to this agreement were $1,830.

The Company’s raw material purchases under this supply agreement consist of the following:

	For the Nine Months Ended			
	March 26, 2017		March 27, 2016	
UNF	$	1,676	$	2,465
UNFA		14,910		19,039
Total	$	16,586	$	21,504

As of March 26, 2017 and June 26, 2016, the Company had combined accounts payable due to UNF and UNFA of $2,650 and $3,231, respectively.

The Company has determined that UNF and UNFA are variable interest entities and that the Company is the primary beneficiary of these entities, based on the terms of the supply agreement. As a result, these entities should be consolidated in the Company’s financial results. As the Company purchases substantially all of the output from UNF and UNFA, the two entities’ balance sheets constitute 3% or less of the Company’s current assets, total assets and total liabilities (when excluding reciprocal balances), and because such balances are not expected to comprise a larger portion in the future, the Company has not included the accounts of UNF and UNFA in its consolidated financial statements. The financial results of UNF and UNFA are included in the Company's financial statements with a one-month lag, using the equity method of accounting and with intercompany profits eliminated in accordance with the Company's accounting policy. Other than the supply agreement discussed above, the Company does not provide any other commitments or guarantees related to either UNF or UNFA.

Condensed balance sheet and income statement information for the Company'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. Depreciation and amortization for PAL for the periods presented includes amounts for PAL's foreign subsidiaries.

	As of March 26, 2017		
	PAL	Other	Total
Current assets	$ 265,207	$ 8,965	$ 274,172
Noncurrent assets	185,541	1,086	186,627
Current liabilities	57,529	3,057	60,586
Noncurrent liabilities	3,321	—	3,321
Shareholders' equity and capital accounts	389,898	6,994	396,892
Unifi's portion of undistributed earnings	45,278	1,448	46,726

	As of June 26, 2016		
	PAL	Other	Total
Current assets	$ 244,197	$ 12,781	$ 256,978
Noncurrent assets	203,251	1,069	204,320
Current liabilities	56,921	4,048	60,969
Noncurrent liabilities	3,057	—	3,057
Shareholders' equity and capital accounts	387,470	9,802	397,272

	For the Three Months Ended March 26, 2017		
	PAL	Other	Total
Net sales	$ 202,216	$ 5,403	$ 207,619
Gross profit	8,728	1,118	9,846
Income from operations	6,102	680	6,782
Net income	3,905	581	4,486
Depreciation and amortization	9,612	46	9,658
Cash received by PAL under cotton rebate program	3,163	—	3,163
Earnings recognized by PAL for cotton rebate program	3,592	—	3,592
Distributions received	—	—	—

	For the Three Months Ended March 27, 2016		
	PAL	Other	Total
Net sales	$ 219,611	$ 6,493	$ 226,104
Gross profit	15,613	1,672	17,285
Income from operations	10,809	1,196	12,005
Net income	10,631	1,198	11,829
Depreciation and amortization	11,160	38	11,198
Cash received by PAL under cotton rebate program	2,505	—	2,505
Earnings recognized by PAL for cotton rebate program	4,111	—	4,111
Distributions received	—	—	—

	For the Nine Months Ended March 26, 2017		
	PAL	Other	Total
Net sales	$ 561,190	$ 16,461	$ 577,651
Gross profit	15,989	3,646	19,635
Income from operations	4,114	2,274	6,388
Net income	2,541	2,191	4,732
Depreciation and amortization	32,796	130	32,926
Cash received by PAL under cotton rebate program	10,925	—	10,925
Earnings recognized by PAL for cotton rebate program	10,388	—	10,388
Distributions received	—	1,500	1,500

	For the Nine Months Ended March 27, 2016		
	PAL	Other	Total
Net sales	$ 627,102	$ 23,106	$ 650,208
Gross profit	25,917	5,854	31,771
Income from operations	12,933	4,434	17,367
Net income	15,190	4,476	19,666
Depreciation and amortization	34,749	112	34,861
Cash received by PAL under cotton rebate program	11,365	—	11,365
Earnings recognized by PAL for cotton rebate program	12,039	—	12,039
Distributions received	947	2,000	2,947

19. Commitments and Contingencies

Collective Bargaining Agreements

While employees of the Company’s Brazilian operations are unionized, none of the labor force employed by the Company’s domestic or other foreign subsidiaries is currently covered by a collective bargaining agreement.

Environmental

On September 30, 2004, the Company 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 Environment and Natural Resources (“DENR”) pursuant to the Resource Conservation and Recovery Act Corrective Action program. The Corrective Action program requires DuPont to identify all potential areas of environmental concern (“AOCs”), assess the extent of containment at the identified AOCs and clean up the AOCs to comply with applicable regulatory standards. Effective March 20, 2008, the Company 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 the Company of any future responsibility for environmental remediation, other than participation with DuPont, if so called upon, with regard to the Company’s period of operation of the Kinston site which was from 2004 to 2008. However, the Company continues to own a satellite service facility acquired in the 2004 transaction with Invista that has contamination from DuPont’s operations and is monitored by DENR. This site has been remediated by DuPont, and DuPont has received authority from DENR to discontinue remediation, other than natural attenuation. DuPont’s duty to monitor and report to DENR will be transferred to the Company in the future, at which time DuPont must pay the Company for seven years of monitoring and reporting costs and the Company will assume responsibility for any future remediation and monitoring of the site. At this time, the Company 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.

Operating Leases and Other Commitments

The Company 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.

As of a result of the RR Sale, described in Note 4, “Sale of Renewables,” the Company is no longer an indirect party to approximately $7,300 of future operating lease payments included in Note 24, “Commitments and Contingencies,” to the consolidated financial statements in the 2016 Form 10-K.

The Company has assumed various financial obligations and commitments in the normal course of its operating and financing activities. Financial obligations are considered to represent known future cash payments that the Company is required to make under existing contractual arrangements, such as debt and lease agreements.

During the second quarter of fiscal 2017, in the normal course of business, the Company’s Brazilian subsidiary entered into a contract extension with its electric utility supplier for services to be provided into fiscal 2020 which resulted in an increase of its future purchase obligations of approximately $10,860, as of March 26, 2017, as measured from the amount included in Note 24, “Commitments and Contingencies,” to the consolidated financial statements in the 2016 Form 10-K.

In the course of facilitating the construction of assets for the expansion of the REPREVE® Recycling Center in Yadkinville, North Carolina, the Company will incur commitments to equipment vendors and contractors. As of March 26, 2017, such commitments totaled approximately $1,000.

20. Related Party Transactions

For details regarding the nature of certain related party relationships, see Note 25, “Related Party Transactions,” to the consolidated financial statements in the 2016 Form 10-K.

Related party receivables consists of the following:

	March 26, 2017	June 26, 2016
Salem Global Logistics, Inc.	$ 3	$ 7
Total related party receivables (included within receivables, net)	$ 3	$ 7

Related party payables consists of the following:

	March 26, 2017	June 26, 2016
Salem Leasing Corporation (included within accounts payable)	$ 288	$ 250
Salem Leasing Corporation (capital lease obligation)	964	1,015
Total related party payables	$ 1,252	$ 1,265

Related party transactions in excess of $120 for the current or prior fiscal year consist of the matters below:

		For the Three Months Ended	
Affiliated Entity	**Transaction Type**	**March 26, 2017**	**March 27, 2016**
Salem Leasing Corporation	Transportation equipment costs and capital lease debt service	$ 643	$ 893
Salem Global Logistics, Inc.	Freight service income	36	68

		For the Nine Months Ended	
Affiliated Entity	**Transaction Type**	**March 26, 2017**	**March 27, 2016**
Salem Leasing Corporation	Transportation equipment costs and capital lease debt service	$ 2,912	$ 2,769
Salem Global Logistics, Inc.	Freight service income	88	211

21. Business Segment Information

The Company 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 the Company's President, 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 the Company operates, and the information that is regularly reviewed by the CODM for the purpose of assessing performance and allocating resources.

The Company'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 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 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 upholstery, 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 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. The Nylon Segment manufactures 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 its polyester-based products to knitters and weavers that produce fabric for the apparel, automotive upholstery, 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 the Company's reportable segments, the selected financial information presented below includes an All Other category. All Other consists primarily of Renewables (up through the date of sale, December 23, 2016) and for-hire transportation services. For-hire transportation services revenue is derived from performing common carrier services utilizing the Company's fleet of transportation equipment.

The operations within All Other (i) are not subject to review by the CODM at a level consistent with the Company's other operations, (ii) are not regularly evaluated using the same metrics applied to the Company's other operations and (iii) do not qualify for aggregation with an existing reportable segment. Therefore, such operations are excluded from reportable segments.

The Company 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 the Company's accounting policies. Intersegment sales are omitted from the below financial information, as they are (i) insignificant to the Company's segments and eliminated from consolidated reporting and (ii) excluded from segment evaluations performed by the CODM.

Selected financial information is presented below. As described in Note 2, “Basis of Presentation; Condensed Notes,” certain amounts previously reported for the Polyester and Nylon Segments for the three months and nine months ended March 27, 2016 have been revised to match the current presentation.

	For the Three Months Ended March 26, 2017				
	Polyester	Nylon	International	All Other	Total
Net sales	$ 90,267	$ 26,987	$ 42,345	$ 1,297	$ 160,896
Cost of sales	81,730	24,656	32,159	1,221	139,766
Gross profit	8,537	2,331	10,186	76	21,130
Segment depreciation expense	3,636	542	317	74	4,569
Segment Profit	$ 12,173	$ 2,873	$ 10,503	$ 150	$ 25,699

	For the Three Months Ended March 27, 2016				
	Polyester	Nylon	International	All Other	Total
Net sales	$ 98,997	$ 29,533	$ 31,092	$ 1,656	$ 161,278
Cost of sales	85,730	25,955	24,443	1,786	137,914
Gross profit (loss)	13,267	3,578	6,649	(130)	23,364
Segment depreciation expense	2,733	466	236	242	3,677
Segment Profit	$ 16,000	$ 4,044	$ 6,885	$ 112	$ 27,041

The reconciliations of segment gross profit to consolidated income before income taxes are as follows:

	For the Three Months Ended	
	March 26, 2017	March 27, 2016
Polyester	$ 8,537	$ 13,267
Nylon	2,331	3,578
International	10,186	6,649
All Other	76	(130)
Segment gross profit	21,130	23,364
Selling, general and administrative expenses	13,000	12,142
(Benefit) provision for bad debts	(92)	411
Other operating (income) expense, net	(885)	819
Operating income	9,107	9,992
Interest income	(126)	(190)
Interest expense	825	908
Equity in earnings of unconsolidated affiliates	(1,600)	(4,167)
Income before income taxes	$ 10,008	$ 13,441

	For the Nine Months Ended March 26, 2017				
	Polyester	Nylon	International	All Other	Total
Net sales	$ 261,623	$ 83,784	$ 126,557	$ 4,056	$ 476,020
Cost of sales	234,165	75,693	94,652	4,703	409,213
Gross profit (loss)	27,458	8,091	31,905	(647)	66,807
Segment depreciation expense	10,128	1,582	791	570	13,071
Segment Profit (Loss)	$ 37,586	$ 9,673	$ 32,696	$ (77)	$ 79,878

	For the Nine Months Ended March 27, 2016				
	Polyester	Nylon	International	All Other	Total
Net sales	$ 288,017	$ 101,938	$ 85,275	$ 4,549	$ 479,779
Cost of sales	252,840	87,272	68,654	4,852	413,618
Gross profit (loss)	35,177	14,666	16,621	(303)	66,161
Segment depreciation expense	8,365	1,414	649	556	10,984
Segment Profit	$ 43,542	$ 16,080	$ 17,270	$ 253	$ 77,145

The reconciliations of segment gross profit to consolidated income before income taxes are as follows:

	For the Nine Months Ended	
	March 26, 2017	March 27, 2016
Polyester	$ 27,458	$ 35,177
Nylon	8,091	14,666
International	31,905	16,621
All Other	(647)	(303)
Segment gross profit	66,807	66,161
Selling, general and administrative expenses	37,278	35,391
(Benefit) provision for bad debts	(554)	1,583
Other operating (income) expense, net	(636)	879
Operating income	30,719	28,308
Interest income	(455)	(519)
Interest expense	2,431	2,708
Loss on sale of business	1,662	—
Equity in earnings of unconsolidated affiliates	(2,073)	(7,330)
Income before income taxes	$ 29,154	$ 33,449

The reconciliations of segment total assets to consolidated total assets are as follows:

	March 26, 2017	June 26, 2016
Polyester	$ 267,832	$ 243,105
Nylon	59,101	63,141
International	96,687	73,650
Segment total assets	423,620	379,896
Other current assets	14,912	6,674
Other PP&E	13,688	16,597
Other non-current assets	125	4,863
Investments in unconsolidated affiliates	117,910	117,412
Total assets	$ 570,255	$ 525,442

Product sales (excluding the All Other category) are as follows:

	For the Three Months Ended		For the Nine Months Ended	
	March 26, 2017	March 27, 2016	March 26, 2017	March 27, 2016
Polyester	$ 132,612	$ 130,089	$ 388,180	$ 373,292
Nylon	26,987	29,533	83,784	101,938
Total product sales	$ 159,599	$ 159,622	$ 471,964	$ 475,230

22. Supplemental Cash Flow Information

Cash payments for interest and taxes consist of the following:

	For the Nine Months Ended	
	March 26, 2017	March 27, 2016
Interest, net of capitalized interest of $577 and $454, respectively	$ 2,320	$ 2,370
Income taxes, net of refunds	7,979	3,820

Cash payments for taxes shown above consist primarily of income and withholding tax payments made by the Company in both U.S. and foreign jurisdictions.

Non-Cash Investing and Financing Activities

As of March 26, 2017 and June 26, 2016, $1,958 and $4,197, respectively, were included in accounts payable for unpaid capital expenditures. As of March 27, 2016 and June 28, 2015, $3,467 and $1,726, respectively, were included in accounts payable for unpaid capital expenditures.

During the nine months ended March 26, 2017, the Company completed construction of assets under a construction financing arrangement for which the aggregate present value was $13,235.

During August 2015, the Company utilized $1,390 of funds held by a qualified intermediary to purchase certain land and building assets.

During the nine months ended March 27, 2016, the Company entered into capital leases with an aggregate present value of $4,154.

Item 2. 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 the Company's operations, and material changes in financial condition, during the periods included in the accompanying condensed consolidated financial statements included in this report. A reference to a "note" in this section refers to the accompanying notes to condensed consolidated financial statements. A reference to the "current period" refers to the three-month period ended March 26, 2017, while a reference to the "prior period" refers to the three-month period ended March 27, 2016. A reference to the "current nine-month period" refers to the nine-month period ended March 26, 2017, while a reference to the "prior nine-month period" refers to the nine-month period ended March 27, 2016. Such references may be accompanied with certain phrases for added clarity.

Our discussions in this Item 2 are based upon the more detailed discussions about our business, operations and financial condition included in the 2016 Form 10-K. These discussions focus on our results during, or as of, the third quarter and year-to-date periods of fiscal 2017, and the comparable periods of fiscal 2016, and, to the extent applicable, any material changes from the information discussed in the 2016 Form 10-K or other important intervening developments or information. These discussions should be read in conjunction with the 2016 Form 10-K for more detailed and background information.

Overview and Significant General Matters

The Company's recent successful performance reflects its core strategic focus: producing the highest-quality innovative and sustainable products for customers around the world. This strategic focus includes a number of supporting pillars, which include: continuously improving all operational and business processes; enriching the product mix by growing sales of higher-margin products; and deriving value from sustainability-based initiatives, including recycled polyester and nylon production. The Company remains committed to these strategic initiatives, which it believes will increase profitability and generate improved cash flows from operations.

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

Significant highlights for the current period include the following items, each of which is outlined in more detail below:

- Volume, measured by pounds sold, increased by more than 8% for the current period and by more than 10% for the current nine-month period compared to the prior period and prior nine-month period, respectively, driven by strength of the global PVA portfolio;
- Gross margin was 13.1% for the current period, compared to 14.5% for the prior period, while gross margin was 14.0% for the current nine-month period compared to 13.8% for the prior nine-month period;
- Operating income was $9,107 for the current period compared to $9,992 for the prior period, and operating income was $30,719 for the current nine-month period compared to $28,308 for prior nine-month period;
- Net income for the current period was $9,177 compared to $9,689 for the prior period. Net income for the current period includes a year-over-year decline in earnings from PAL of approximately $1,500. Net income for the current nine-month period was $23,171 compared to $24,178 for the prior nine-month period. Net income for the current nine-month period includes a year-over-year decline in earnings from PAL of approximately $2,800 and a $1,662 loss on a non-core divestiture;
- Basic EPS was $0.50 for the current period compared to $0.54 for the prior period, while Basic EPS was $1.28 for the current nine-month period compared to $1.35 for the prior nine-month period; and
- REPREVE® Bottle Processing Center expanded potential revenue streams, receiving a Letter of No Objection from the Food and Drug Administration to sell recycled bottle flake for food-grade packaging.

Key Performance Indicators and Non-GAAP Financial Measures

The Company continuously reviews performance indicators to measure its success. The following are the key indicators management uses to assess performance of the Company's business, including certain GAAP and non-GAAP financial measures:

- sales volume and revenue for the Company and for each of its reportable segments;
- gross profit and gross margin for the Company and for each of its reportable segments;
- net income and EPS for the Company;

- Segment Profit (Loss), which represents segment gross profit (loss) plus segment depreciation expense;
- unit conversion margin, which represents unit net sales price less unit raw material costs, for the Company and for each of its reportable segments;
- working capital, which represents current assets less current liabilities;
- earnings before interest, taxes, depreciation and amortization ("EBITDA"), which represents Net income attributable to Unifi, Inc. 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 the Company;
- Adjusted Net Income, which excludes certain amounts which management believes do not reflect the ongoing operations and performance of the Company, such as key employee transition costs and loss on sale of business. Adjusted Net Income represents Net income attributable to Unifi, Inc. calculated under GAAP, adjusted to exclude the approximate after-tax impact of certain income or expense items (as well as specific impacts to the provision for income taxes) necessary to understand and compare the underlying results of the Company;
- Adjusted EPS, which represents Adjusted Net Income divided by the Company's basic weighted average common shares outstanding; and
- Adjusted Working Capital represents receivables plus inventory, less accounts payable and accrued expenses, which is an indicator of the Company's production efficiency and ability to manage its inventory and receivables.

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. The Company may, from time to time, modify the amounts used to determine its 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 the Company'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 earnings 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.

Historically, EBITDA, Adjusted EBITDA, Adjusted Net Income and Adjusted EPS aimed to exclude the impact of the non-controlling interest in Renewables, while the consolidated amounts for Renewables were required to be included in the Company's financial amounts reported under GAAP.

Non-GAAP Reconciliations

EBITDA and Adjusted EBITDA

The reconciliations of the amounts reported under GAAP for Net income attributable to Unifi, Inc. to EBITDA and Adjusted EBITDA are as follows. Amounts presented in the reconciliations below may not be consistent with amounts included in the accompanying condensed consolidated financial statements due to the impact of the non-controlling interest in Renewables. Any such differences are insignificant and are integral to the reconciliations.

	For the Three Months Ended		For the Nine Months Ended	
	March 26, 2017	March 27, 2016	March 26, 2017	March 27, 2016
Net income attributable to Unifi, Inc.	$ 9,177	$ 9,689	$ 23,171	$ 24,178
Interest expense, net	699	709	1,945	2,171
Provision for income taxes	831	4,166	6,481	10,194
Depreciation and amortization expense	5,067	4,192	14,463	12,584
EBITDA	15,774	18,756	46,060	49,127
Equity in earnings of PAL	(1,345)	(3,630)	(914)	(5,214)
EBITDA excluding PAL	14,429	15,126	45,146	43,913
Loss on sale of business	—	—	1,662	—
Key employee transition costs	—	236	—	873
Adjusted EBITDA	$ 14,429	$ 15,362	$ 46,808	$ 44,786

Adjusted Net Income and Adjusted EPS

The tables below set forth reconciliations of (i) Income before income taxes ("Pre-tax Income"), Provision for income taxes ("Tax Impact") and Net income attributable to Unifi, Inc. ("Net Income") to Adjusted Net Income and (ii) Basic EPS to Adjusted EPS.

	For the Three Months Ended March 26, 2017				For the Three Months Ended March 27, 2016			
	Pre-tax Income	Tax Impact	Net Income	Basic EPS	Pre-tax Income	Tax Impact	Net Income	Basic EPS
GAAP results	$ 10,008	$ (831)	$ 9,177	$ 0.50	$ 13,441	$ (4,166)	$ 9,689	$ 0.54
Key employee transition costs (1)	—	—	—	—	400	(132)	268	0.02
Adjusted results	$ 10,008	$ (831)	$ 9,177	$ 0.50	$ 13,841	$ (4,298)	$ 9,957	$ 0.56
Weighted average common shares				18,210				17,838

	For the Nine Months Ended March 26, 2017				For the Nine Months Ended March 27, 2016			
	Pre-tax Income	Tax Impact	Net Income	Basic EPS	Pre-tax Income	Tax Impact	Net Income	Basic EPS
GAAP results	$ 29,154	$ (6,481)	$ 23,171	$ 1.28	$ 33,449	$ (10,194)	$ 24,178	$ 1.35
Loss on sale of business (2)	1,662	—	1,662	0.09	—	—	—	—
Key employee transition costs (1)	—	—	—	—	1,037	(355)	682	0.04
Adjusted results	$ 30,816	$ (6,481)	$ 24,833	$ 1.37	$ 34,486	$ (10,549)	$ 24,860	$ 1.39
Weighted average common shares				18,105				17,861

(1) For the three and nine months ended March 27, 2016, the Company incurred key employee transition costs of $400 and $1,037, respectively, before tax, for transactions in the United States. The Company estimates the tax benefit of these costs using a 35% tax rate, with no significant deferred tax components. This includes transactions for Renewables, therefore, the amounts reflected here consider impacts to the valuation allowance and non-controlling interest.

(2) For the nine months ended March 26, 2017, the Company incurred a loss on the sale of its investment in Renewables of $1,662. There is no tax impact for this transaction as the loss is non-deductible.

Working Capital and Adjusted Working Capital

See the discussion under the heading "Working Capital" within "Liquidity and Capital Resources" below.

Results of Operations

Third Quarter of Fiscal 2017 Compared to Third Quarter of Fiscal 2016

Consolidated Overview

The components of Net income attributable to Unifi, Inc., each component as a percentage of net sales, and the percentage increase or decrease over the prior period amounts are presented in the table below.

	For the Three Months Ended				
	March 26, 2017		March 27, 2016		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 160,896	100.0	$ 161,278	100.0	(0.2)
Cost of sales	139,766	86.9	137,914	85.5	1.3
Gross profit	21,130	13.1	23,364	14.5	(9.6)
Selling, general and administrative expenses	13,000	8.1	12,142	7.5	7.1
(Benefit) provision for bad debts	(92)	(0.1)	411	0.3	(122.4)
Other operating (income) expense, net	(885)	(0.6)	819	0.5	(208.1)
Operating income	9,107	5.7	9,992	6.2	(8.9)
Interest expense, net	699	0.5	718	0.5	(2.6)
Equity in earnings of unconsolidated affiliates	(1,600)	(1.0)	(4,167)	(2.6)	(61.6)
Income before income taxes	10,008	6.2	13,441	8.3	(25.5)
Provision for income taxes	831	0.5	4,166	2.6	(80.1)
Net income including non-controlling interest	9,177	5.7	9,275	5.7	(1.1)
Less: net loss attributable to non-controlling interest	—	—	(414)	(0.3)	(100.0)
Net income attributable to Unifi, Inc.	$ 9,177	5.7	$ 9,689	6.0	(5.3)

Consolidated Net Sales

Consolidated net sales for the current period decreased by $382, or 0.2%, as compared to the prior period, primarily due to soft domestic market conditions and unfavorable changes in sales mix, offset by strong PVA sales from our international operations.

Consolidated sales volumes increased 8.4%, attributable to continued growth in sales of PVA products in the International Segment. In Brazil, the Company capitalized on expansion of the synthetic yarn market coupled with market share gain due to the shutdown of a competitor in early 2016. In Asia, the business has grown as brands and retail partners continue to utilize the Company's global model, providing consistent 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 a result of two recent warm winters, weak retail selling seasons and associated inventory accumulation, domestic apparel brands and retailers continued a cautious ordering level throughout fiscal 2017, which led to sales volume declines for the Company's domestic operations compared to the prior period.

Consolidated average sales prices decreased 8.4%, primarily attributable to (i) 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 plastic bottle flake, Chip and POY in the Polyester Segment, (ii) lower Nylon Segment volumes and (iii) lower average selling prices in certain sectors of the International Segment due to an increase in staple fiber sales, partially offset by net favorable foreign currency translation of approximately $4,600 and an increase in PVA product sales, especially in the International Segment. PVA products at the end of fiscal 2016 comprised 35% of net sales and the Company is on pace to achieve 10% to 15% PVA sales growth in fiscal 2017.

Consolidated Gross Profit

Gross profit for the current period decreased by $2,234, or 9.6%, as compared to the prior period, primarily due to (i) an inherent lag in implementing selling price adjustments for Polyester customers in response to recently rising virgin polyester raw material costs and (ii) a lower average selling price product mix, with lower sales volumes of higher-priced textured, dyed and beamed yarns and higher sales volumes of lower-priced plastic bottle flake, Chip and POY. These impacts were partially offset by (i) an overall increase in sales volumes, (ii) strong growth in PVA products, especially in the International Segment and (iii) net favorable foreign currency translation of approximately $900.

Further details regarding the changes in net sales and gross profit, by reportable segment, follow.

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:

	For the Three Months Ended				
	March 26, 2017		March 27, 2016		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 90,267	100.0	$ 98,997	100.0	(8.8)
Cost of sales	81,730	90.5	85,730	86.6	(4.7)
Gross profit	8,537	9.5	13,267	13.4	(35.7)
Depreciation expense	3,636	4.0	2,733	2.8	33.0
Segment Profit	$ 12,173	13.5	$ 16,000	16.2	(23.9)

The change in net sales for the Polyester Segment is as follows:

Net sales for the prior period	$ 98,997
Decrease in average selling price and change in sales mix	(10,788)
Increase in sales volumes	2,058
Net sales for the current period	$ 90,267

The decrease in net sales for the Polyester Segment was attributable to lower sales prices 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 plastic bottle flake, Chip and POY. Decreased sales volumes were primarily attributable to the challenging conditions in the domestic apparel market. Heightened focus on inventory management and cautious ordering patterns by brands have resulted in significant headwinds for the textured polyester business where volumes have declined 5% versus the prior period. However, sales volumes for the entire Polyester Segment increased 2.1%.

The change in Segment Profit for the Polyester Segment is as follows:

Segment Profit for the prior period	$ 16,000
Net decrease in underlying margins	(4,160)
Increase in sales volumes	333
Segment Profit for the current period	$ 12,173

The decrease in Segment Profit for the Polyester Segment was attributable to (i) a reduction in conversion margin resulting from increased virgin polyester raw material prices and (ii) the unfavorable change in sales mix described in the net sales analysis above. Underlying margins were also unfavorably impacted by start-up costs for the REPREVE® Bottle Processing Center. These items were partially offset by the profit generated from the increased sales volumes described above.

Polyester Segment net sales and Segment Profit, as a percentage of total consolidated amounts, were 56.1% and 47.4%, respectively, for the current period, compared to 61.4% and 59.2%, respectively, for the prior period.

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:

	For the Three Months Ended				
	March 26, 2017		March 27, 2016		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 26,987	100.0	$ 29,533	100.0	(8.6)
Cost of sales	24,656	91.4	25,955	87.9	(5.0)
Gross profit	2,331	8.6	3,578	12.1	(34.9)
Depreciation expense	542	2.0	466	1.6	16.3
Segment Profit	$ 2,873	10.6	$ 4,044	13.7	(29.0)

The change in net sales for the Nylon Segment is as follows:

Net sales for the prior period	$ 29,533
Decrease in average selling price and change in sales mix	(1,405)
Decrease in sales volumes	(1,141)
Net sales for the current period	$ 26,987

The decrease in net sales for the Nylon Segment was attributable to (i) the transition of certain PVA programs from the Nylon Segment to the International Segment to meet customer-specific supply chain requirements and (ii) lower sales volumes resulting from soft domestic market conditions.

The change in Segment Profit for the Nylon Segment is as follows:

Segment Profit for the prior period	$ 4,044
Decrease in underlying margins	(1,015)
Decrease in sales volumes	(156)
Segment Profit for the current period	$ 2,873

The decrease in Segment Profit for the Nylon Segment was attributable to the shift of higher-margin PVA sales to the International Segment and the lower sales volumes described above.

Nylon Segment net sales and Segment Profit, as a percentage of total consolidated amounts, were 16.8% and 11.2%, respectively, for the current period, compared to 18.3% and 15.0%, respectively, for the prior period.

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:

	For the Three Months Ended				
	March 26, 2017		March 27, 2016		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 42,345	100.0	$ 31,092	100.0	36.2
Cost of sales	32,159	75.9	24,443	78.6	31.6
Gross profit	10,186	24.1	6,649	21.4	53.2
Depreciation expense	317	0.7	236	0.7	34.3
Segment Profit	$ 10,503	24.8	$ 6,885	22.1	52.5

The change in net sales for the International Segment is as follows:

Net sales for the prior period	$	31,092
Increase in sales volumes		8,592
Net favorable foreign currency translation effects (Brazilian Real and Chinese Renminbi)		4,508
Decrease in average selling price and change in sales mix		(1,847)
Net sales for the current period	$	42,345

The increase in net sales for the International Segment 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 Brazilian Real (using a weighted average exchange rate of 3.14 Real/U.S. Dollar and 3.88 Real/U.S. Dollar for the current period and the prior period, respectively). These benefits were partially offset by a decrease in the average selling price in China due to (i) a greater mix of lower-priced staple fiber sales to several yarn manufacturers for a PVA apparel program and (ii) unfavorable foreign currency translation from the Chinese Renminbi.

The change in Segment Profit for the International Segment is as follows:

Segment Profit for the prior period	$	6,885
Increase in sales volumes		1,894
Net favorable foreign currency translation effects (Brazilian Real and Chinese Renminbi)		902
Improvements in underlying margins		822
Segment Profit for the current period	$	10,503

The increase in Segment Profit for the International Segment was attributable to (i) increased sales volumes, as described in the net sales analysis above, (ii) net favorable foreign currency translation effects due to the strengthening of the Brazilian Real versus the U.S. Dollar and (iii) improved margins in Brazil based on a greater mix of higher-margin PVA products.

International Segment net sales and Segment Profit, as a percentage of total consolidated amounts, were 26.3% and 40.9%, respectively, for the current period, compared to 19.3% and 25.4%, respectively, for the prior period.

Consolidated Selling, General and Administrative Expenses

The change in selling, general and administrative (“SG&A”) expenses is as follows:

SG&A expenses for the prior period	$	12,142
Net increase for external service providers		1,862
Increase due to foreign currency translation		221
Decrease in sales, franchise and property taxes		(393)
Other net decreases		(832)
SG&A expenses for the current period	$	13,000

Total SG&A expenses were higher for the current period compared to the prior period, primarily as a result of (i) a net increase in fees paid to external service providers, including legal, audit, tax, consulting, marketing and branding services and (ii) an increase due to foreign currency translation, primarily due to the strengthening of the Brazilian Real versus the U.S. Dollar. These increases were partially offset by various decreases, primarily employee-related costs and non-income related taxes.

Consolidated (Benefit) Provision for Bad Debts

The benefit to the current period reflects a decrease in the reserve against specifically identified customer balances in the Polyester Segment.

Consolidated Other Operating (Income) Expense, Net

The change in other operating (income) expense, net is primarily attributable to foreign currency transaction gains in the current period compared to foreign currency transaction losses and key employee transition costs in the prior period.

Consolidated Interest Expense, Net

Interest expense, net changed insignificantly from the prior period, as reflected below. Further analysis of insignificant changes is not meaningful.

	For the Three Months Ended	
	March 26, 2017	March 27, 2016
Interest and fees on the ABL Facility	$ 723	$ 768
Other interest	238	217
Subtotal of interest on debt obligations	961	985
Other components of interest expense	(136)	(77)
Total interest expense	825	908
Interest income	(126)	(190)
Interest expense, net	$ 699	$ 718

Consolidated Earnings from Unconsolidated Affiliates

The components of earnings from unconsolidated affiliates are as follows:

	For the Three Months Ended	
	March 26, 2017	March 27, 2016
Earnings from PAL	$ (1,345)	$ (3,630)
Earnings from nylon joint ventures	(255)	(537)
Total equity in earnings of unconsolidated affiliates	$ (1,600)	$ (4,167)
As a percentage of consolidated income before income taxes	16.0%	31.0%

The Company's 34% share of PAL's earnings decreased in the current period versus the prior period, which 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 primarily due to softness in the nylon market, consistent with the results of the Nylon Segment, as well as higher raw material costs.

Consolidated Income Taxes

The change in consolidated income taxes is as follows:

	For the Three Months Ended	
	March 26, 2017	March 27, 2016
Provision for income taxes	$ 831	$ 4,166
Effective tax rate	8.3%	31.0%

The effective tax rates for the periods presented above are lower than the U.S. statutory tax rate primarily due to foreign income being taxed at lower rates and a decrease in the valuation allowance for the Company's investment in PAL, partially offset by losses in tax jurisdictions for which no tax benefit could be recognized and state and local income taxes net of federal benefits. Additionally, the effective tax rate for the three months ended March 26, 2017 includes the benefit of increased research and development credits, partially offset by a corresponding reduction in the domestic production activities deduction.

Consolidated Net Income Attributable to Unifi, Inc.

Net income attributable to Unifi, Inc. for the current period was $9,177, or $0.50 per basic share, compared to $9,689, or $0.54 per basic share, for the prior period. The decrease was primarily attributable to the factors described in the discussions above, including (i) lower gross profit, (ii) higher SG&A expenses and (iii) lower earnings from both PAL and the nylon joint ventures, partially offset by (a) a lower effective tax rate, (b) the recognition of a benefit for bad debts and (c) foreign exchange favorability.

Year-To-Date Period of Fiscal 2017 Compared to Year-To-Date Period of Fiscal 2016

Consolidated Overview

The components of Net income attributable to Unifi, Inc., each component as a percentage of net sales, and the percentage increase or decrease over the prior nine-month period amounts are presented in the table below.

	For the Nine Months Ended				
	March 26, 2017		March 27, 2016		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 476,020	100.0	$ 479,779	100.0	(0.8)
Cost of sales	409,213	86.0	413,618	86.2	(1.1)
Gross profit	66,807	14.0	66,161	13.8	1.0
Selling, general and administrative expenses	37,278	7.8	35,391	7.4	5.3
(Benefit) provision for bad debts	(554)	(0.1)	1,583	0.3	(135.0)
Other operating (income) expense, net	(636)	(0.1)	879	0.2	(172.4)
Operating income	30,719	6.4	28,308	5.9	8.5
Interest expense, net	1,976	0.4	2,189	0.5	(9.7)
Loss on sale of business	1,662	0.3	—	—	nm
Equity in earnings of unconsolidated affiliates	(2,073)	(0.4)	(7,330)	(1.5)	(71.7)
Income before income taxes	29,154	6.1	33,449	6.9	(12.8)
Provision for income taxes	6,481	1.3	10,194	2.1	(36.4)
Net income including non-controlling interest	22,673	4.8	23,255	4.8	(2.5)
Less: net loss attributable to non-controlling interest	(498)	(0.1)	(923)	(0.2)	(46.0)
Net income attributable to Unifi, Inc.	$ 23,171	4.9	$ 24,178	5.0	(4.2)

nm – Not meaningful

Consolidated Net Sales

Consolidated net sales for the current nine-month period decreased by $3,759, or 0.8%, as compared to the prior nine-month period, primarily due to soft domestic market conditions and unfavorable changes in sales mix, partially offset by strong PVA sales from our international operations.

Consolidated sales volumes increased 10.7%, attributable to continued growth in sales of PVA products in the International Segment and increased sales of plastic bottle flake, Chip and POY in the Polyester Segment. In Brazil, the Company capitalized on expansion of the synthetic yarn market coupled with market share gain due to the shutdown of a competitor in early 2016. In Asia, the business has grown as global brands and retail partners continue to utilize the Company's global model, providing consistent PVA products to support customers' global supply chains. The increase in International Segment sales volumes was partially offset by softness in certain sectors of the domestic retail market adversely impacting the Polyester and Nylon Segments. Two recent warm winters and weak retail selling seasons, along with associated inventory accumulation caused domestic apparel brands and retailers to be cautious with orders during fiscal 2017.

Consolidated sales pricing decreased 11.4%, attributable to changes in the sales mix in our reportable segments, including (i) the transition of certain programs to the International Segment from the Nylon Segment (where the transitioned products carry a lower average selling price), (ii) a mix impact within the Polyester Segment due to a higher proportion of lower-priced polyester product sales, (iii) a mix impact from relative volume weakness for nylon products that typically carry a higher selling price and (iv) an increase in staple fiber sales in the International Segment for certain PVA apparel 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 compared to the prior nine-month period of approximately $7,900, primarily associated with the comparative increase in value of the Brazilian Real.

Consolidated Gross Profit

Gross profit for the current nine-month period was essentially flat as compared to the prior nine-month period, 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 $1,300. These benefits were partially offset as gross profit for the Polyester and Nylon Segments decreased due to (i) lower sales volumes, (ii) start-up costs associated with the new REPREVE® Bottle Processing Center in Reidsville, North Carolina and (iii) a lag in implementing selling price adjustments for customers in connection with recent increases in raw material costs.

Further details regarding the changes in net sales and gross profit, by reportable segment, follow.

Polyester Segment

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

	For the Nine Months Ended				
	March 26, 2017		March 27, 2016		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 261,623	100.0	$ 288,017	100.0	(9.2)
Cost of sales	234,165	89.5	252,840	87.8	(7.4)
Gross profit	27,458	10.5	35,177	12.2	(21.9)
Depreciation expense	10,128	3.9	8,365	2.9	21.1
Segment Profit	$ 37,586	14.4	$ 43,542	15.1	(13.7)

The change in net sales for the Polyester Segment is as follows:

Net sales for the prior nine-month period	$ 288,017
Decrease in average selling price	(26,287)
Decrease in sales volumes	(107)
Net sales for the current nine-month period	$ 261,623

The decrease in net sales for the Polyester Segment was attributable to lower sales prices 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 plastic bottle flake, Chip and POY.

The change in Segment Profit for the Polyester Segment is as follows:

Segment Profit for the prior nine-month period	$ 43,542
Net decrease in underlying margins	(5,749)
Start-up costs for bottle processing facility	(191)
Decrease in sales volumes	(16)
Segment Profit for the current nine-month period	$ 37,586

The decrease in Segment Profit for the Polyester Segment was attributable to (i) the impact of an unfavorable change in sales mix and lower sales volumes, as described in the net sales analysis above, (ii) start-up costs (excluding depreciation) for the new REPREVE® Bottle Processing Center in Reidsville, North Carolina and (iii) the impact of increasing virgin polyester raw material costs experienced in the current period.

Polyester Segment net sales and Segment Profit, as a percentage of total consolidated amounts, were 55.0% and 47.1%, respectively, for the current nine-month period, compared to 60.0% and 56.4%, respectively, for the prior nine-month period.

Nylon Segment

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

	For the Nine Months Ended				
	March 26, 2017		March 27, 2016		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 83,784	100.0	$ 101,938	100.0	(17.8)
Cost of sales	75,693	90.3	87,272	85.6	(13.3)
Gross profit	8,091	9.7	14,666	14.4	(44.8)
Depreciation expense	1,582	1.9	1,414	1.4	11.9
Segment Profit	$ 9,673	11.6	$ 16,080	15.8	(39.8)

The change in net sales for the Nylon Segment is as follows:

Net sales for the prior nine-month period	$ 101,938
Decrease in sales volumes	(15,059)
Decrease in average selling price and change in sales mix	(3,095)
Net sales for the current nine-month period	$ 83,784

The decrease in net sales for the Nylon Segment 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 change in Segment Profit for the Nylon Segment is as follows:

Segment Profit for the prior nine-month period	$ 16,080
Decrease in underlying margins	(4,032)
Decrease in sales volumes	(2,375)
Segment Profit for the current nine-month period	$ 9,673

The decrease in Segment Profit for the Nylon Segment 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.

Nylon Segment net sales and Segment Profit, as a percentage of total consolidated amounts, were 17.6% and 12.1%, respectively, for the current nine-month period, compared to 21.2% and 20.8%, respectively, for the prior nine-month period.

International Segment

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

	For the Nine Months Ended				
	March 26, 2017		March 27, 2016		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 126,557	100.0	$ 85,275	100.0	48.4
Cost of sales	94,652	74.8	68,654	80.5	37.9
Gross profit	31,905	25.2	16,621	19.5	92.0
Depreciation expense	791	0.6	649	0.8	21.9
Segment Profit	$ 32,696	25.8	$ 17,270	20.3	89.3

The change in net sales for the International Segment is as follows:

Net sales for the prior nine-month period	$	85,275
Increase in sales volumes		38,698
Net favorable foreign currency translation effects (Brazilian Real and Chinese Renminbi)		7,758
Decrease in average selling price and change in sales mix		(5,174)
Net sales for the current nine-month period	$	126,557

The increase in net sales for the International Segment was attributable to (i) higher sales volumes of manufactured product 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 Brazilian Real (using a weighted average exchange rate of 3.22 Real/U.S. Dollar and 3.74 Real/U.S. Dollar for the current nine-month period and the prior nine-month period, respectively). These benefits were partially offset by a decrease in the average selling price in China due to (i) a greater mix of lower-priced staple fiber sales to several yarn manufacturers for a PVA apparel program and (ii) unfavorable foreign currency translation from the Chinese Renminbi.

The change in Segment Profit for the International Segment is as follows:

Segment Profit for the prior nine-month period	$	17,270
Increase in sales volumes		7,808
Improvements in underlying margins		6,226
Net favorable foreign currency translation effects (Brazilian Real and Chinese Renminbi)		1,392
Segment Profit for the current nine-month period	$	32,696

The increase in Segment Profit for the International Segment was attributable to (i) increased sales volumes, as described in the net sales analysis above, (ii) improved margins in Brazil based on a greater mix of higher-margin manufactured products (including PVA products) versus resale products and improved cost efficiency associated with greater production volumes and (iii) net favorable foreign currency translation effects due to the strengthening of the Brazilian Real versus the U.S. Dollar.

International Segment net sales and Segment Profit, as a percentage of total consolidated amounts, were 26.6% and 40.9%, respectively, for the current nine-month period, compared to 17.8% and 22.4%, respectively, for the prior nine-month period.

Consolidated Selling, General and Administrative Expenses

The change in SG&A expenses is as follows:

SG&A expenses for the prior nine-month period	$	35,391
Net increase for external service providers		2,295
Increase in supplemental retirement plan expenses		509
Increase due to foreign currency translation		375
Decrease in sales, franchise and property taxes		(417)
Other net decreases		(875)
SG&A expenses for the current nine-month period	$	37,278

Total SG&A expenses were higher for the current nine-month period compared to the prior nine-month period, primarily as a result of (i) a net increase in fees paid to external service providers, including legal, audit, tax, consulting, marketing and branding services, (ii) an increase in supplemental retirement plan expenses driven by comparatively stronger performance of the equity index benchmark and (iii) an increase in foreign currency translation primarily due to the strengthening of the Brazilian Real versus the U.S. Dollar, partially offset by a decrease in non-income related taxes and other net decreases, consisting primarily of employee-related costs.

Consolidated (Benefit) Provision for Bad Debts

The benefit to the current nine-month period reflects a decrease in the reserve against specifically identified customer balances in the Polyester and International Segments.

Consolidated Other Operating (Income) Expense, Net

The change in other operating (income) expense, net is primarily attributable to foreign currency transaction gains in the current nine-month period compared to foreign currency transaction losses and key employee transition costs in the prior nine-month period.

Consolidated Interest Expense, Net

Interest expense, net decreased $213 from the prior nine-month period, as reflected below.

	For the Nine Months Ended	
	March 26, 2017	March 27, 2016
Interest and fees on the ABL Facility	$ 2,177	$ 2,221
Other interest	752	634
Subtotal of interest on debt obligations	2,929	2,855
Other components of interest expense	(498)	(147)
Total interest expense	2,431	2,708
Interest income	(455)	(519)
Interest expense, net	$ 1,976	$ 2,189

Interest on debt obligations increased in the current nine-month period compared to the prior nine-month period in connection with an increase in the weighted average interest rate from 2.6% to 2.8%. The increase in the average debt balance from $130,100 to $131,600 is insignificant.

The change in other components of interest expense from the prior nine-month period is primarily attributable to (i) an increase in capitalized interest, driven by a comparatively longer construction period for capital projects, and (ii) a more favorable change in the mark-to-market adjustment for the 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, the Company, through a wholly owned foreign subsidiary, entered into an agreement to sell its 60% equity ownership interest in Renewables to the existing third-party joint venture partner for $500 in cash. In connection with the transaction, the Company recognized a loss on sale of business.

Consolidated Earnings from Unconsolidated Affiliates

The components of earnings from unconsolidated affiliates are as follows:

	For the Nine Months Ended	
	March 26, 2017	March 27, 2016
Earnings from PAL	$ (914)	$ (5,214)
Earnings from nylon joint ventures	(1,159)	(2,116)
Total equity in earnings of unconsolidated affiliates	$ (2,073)	$ (7,330)
As a percentage of consolidated income before income taxes	7.1%	21.9%

The Company's 34% share of PAL's earnings decreased in the current nine-month period versus the prior nine-month period, which 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 primarily due to softness in the nylon market, consistent with the results of the Nylon Segment.

Consolidated Income Taxes

The change in consolidated income taxes is as follows:

	For the Nine Months Ended	
	March 26, 2017	March 27, 2016
Provision for income taxes	$ 6,481	$ 10,194
Effective tax rate	22.2%	30.5%

The effective tax rates for the periods presented above are lower than the U.S. statutory tax rate due to foreign income being taxed at lower rates and a decrease in the valuation allowance for the Company's investment in PAL, partially offset by losses in tax jurisdictions for which no tax benefit could be recognized and state and local income taxes net of federal benefits. Additionally, the effective tax rate for the nine months ended March 26, 2017 includes the benefit of increased research and development credits, partially offset by a corresponding reduction in the domestic production activities deduction.

Consolidated Net Income Attributable to Unifi, Inc.

Net income attributable to Unifi, Inc. for the current nine-month period was $23,171, or $1.28 per basic share, compared to $24,178, or $1.35 per basic share, for the prior nine-month period. The decrease was primarily attributable to (i) a $1,662 loss on sale of business recorded for the sale of Renewables, (ii) lower earnings from both PAL and the nylon joint ventures and (iii) 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) foreign exchange favorability.

Liquidity and Capital Resources

The Company's primary capital requirements are for working capital, capital expenditures, debt service and stock repurchases. The Company's primary sources of capital are cash generated from operations and borrowings available under the ABL Revolver, as described below. For the current nine-month period, cash generated from operations was $29,286, and at March 26, 2017, excess availability under the ABL Revolver was $66,970. Net debt was $104,184 at March 26, 2017, compared to $106,366 at June 26, 2016.

As of March 26, 2017, all of the Company's $134,415 of debt obligations was guaranteed by certain of its domestic operating subsidiaries, while nearly all of the Company's cash and cash equivalents was held by its foreign subsidiaries. Cash and cash equivalents held by such other subsidiaries may not be presently available to fund the Company's domestic capital requirements, including its domestic debt obligations. The Company 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 March 26, 2017:

	United States	Brazil	Others	Total
Cash and cash equivalents	$ 8	$ 2,754	$ 27,469	$ 30,231
Borrowings available under financing arrangements	66,970	—	—	66,970
Liquidity	$ 66,978	$ 2,754	$ 27,469	$ 97,201
Working capital	$ 81,630	$ 38,368	$ 46,914	$ 166,912
Total debt obligations	$ 134,415	$ —	$ —	$ 134,415

Debt Obligations

ABL Facility

On March 26, 2015, the Company and its subsidiary, Unifi Manufacturing, Inc., 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 a principal increase occurred in November 2016. The ABL Facility has a maturity date of March 26, 2020.

The Amended Credit Agreement includes representations and warranties made by the loan parties, affirmative and negative covenants and events of default that are usual and customary for financings of this type. In addition, the ABL Facility contains restrictions on certain payments and investments, including restrictions on the payment of dividends and share repurchases. Subject to certain provisions, the ABL Term Loan may be prepaid at par, in whole or in part, at any time before the maturity date, at the Company's discretion.

ABL Facility borrowings bear interest at variable rates based on a margin applied to a benchmark rate. There is also a monthly unused line fee under the ABL Revolver of 0.25%.

The ABL Facility is secured by a first-priority perfected security interest in substantially all owned property and assets (together with proceeds and products) of Unifi, Inc., Unifi Manufacturing, Inc. 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 the Company) and certain subsidiaries of the Loan Parties, together with all proceeds and products thereof.

If excess availability under the ABL Revolver falls below the Trigger Level (as defined in the Amended Credit Agreement), a financial covenant requiring the Loan Parties to maintain a fixed charge coverage ratio on a monthly basis of at least 1.05 to 1.0 becomes effective. As of March 26, 2017, excess availability was $66,970 and the Trigger Level was $24,688. The fixed charge coverage ratio at March 26, 2017 was 0.72 to 1.0. Management maintains the capability to quickly and easily improve the fixed charge coverage ratio utilizing existing cash resources.

As of March 26, 2017, the Company was in compliance with all financial covenants and the excess availability under the ABL Revolver was $66,970. The Company had $400 of standby letters of credit, none of which have been drawn upon.

Construction Financing

In December 2015, the Company entered into an agreement with a third-party lender that provided for construction-period financing for certain build-to-suit assets. During the construction period, the Company recorded project costs to construction in progress and the corresponding liability to construction financing (within long-term debt).

As of March 26, 2017, construction was complete and the project costs were reclassified from construction in progress to capital lease assets. Accordingly, the principal balance of $13,235 is reflected within capital lease obligations, with $2,698 included in current maturities, and will amortize over 60 monthly payments with an interest rate of 3.8%.

Repreve Renewables, LLC

In September 2015, Renewables entered into a secured debt financing arrangement, having a borrowing capacity of $4,000, and subsequently borrowed $4,000 against such arrangement in October 2015. In connection with the agreement to sell the Company's 60% equity ownership interest in Renewables, the Company deconsolidated the corresponding assets and liabilities. The Company has no joint and several liability for such debt.

Summary of Debt Obligations

The following table presents the total balances outstanding for the Company'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 March 26, 2017	Principal Amounts as of March 26, 2017	Principal Amounts as of June 26, 2016
ABL Revolver	March 2020	2.5%	$ 11,100	$ 6,200
ABL Term Loan (1)	March 2020	2.3%	97,500	90,250
Capital lease obligations	(2)	(3)	25,815	15,798
Construction financing	(4)	(4)	—	6,629
Renewables' term loan	—	—	—	4,000
Renewables' promissory note	—	—	—	135
Total debt			134,415	123,012
Current portion of capital lease obligations			(6,823)	(4,261)
Current portion of other long-term debt			(10,000)	(9,525)
Unamortized debt issuance costs			(1,118)	(1,421)
Total long-term debt			$ 116,474	$ 107,805

(1) The weighted average interest rate as of March 26, 2017 for the ABL Term Loan includes the effects of the historical interest rate swap with a notional balance of $50,000.
(2) Scheduled maturity dates for capital lease obligations range from May 2017 to November 2027.
(3) Interest rates for capital lease obligations range from 2.7% to 4.6%.
(4) Refer to the discussion under the heading "—Construction Financing" above for further information.

In addition to making payments in accordance with the scheduled maturities of debt required under its existing debt obligations, the Company may, from time to time, elect to repay additional amounts borrowed under the ABL Facility. Funds to make such repayments may come from the operating cash flows of the business or other sources and will depend upon the Company's strategy, prevailing market conditions, liquidity requirements, contractual restrictions and other factors.

Scheduled Debt Maturities

The following table presents the scheduled maturities of the Company's outstanding debt obligations for the remainder of fiscal 2017 and the fiscal years thereafter:

	Scheduled Maturities on a Fiscal Year Basis					
	2017	2018	2019	2020	2021	Thereafter
ABL Revolver	$ —	$ —	$ —	$ 11,100	$ —	$ —
ABL Term Loan	2,500	10,000	10,000	75,000	—	—
Capital lease obligations	1,707	6,852	6,891	5,322	2,555	2,488
Total	$ 4,207	$ 16,852	$ 16,891	$ 91,422	$ 2,555	$ 2,488

Further discussion of the terms and conditions of the Amended Credit Agreement and the Company's existing indebtedness is included in Note 10, "Long-Term Debt."

Working Capital

The following table presents the components of working capital and the reconciliation of working capital to Adjusted Working Capital:

	March 26, 2017	June 26, 2016
Cash and cash equivalents	$ 30,231	$ 16,646
Receivables, net	87,249	83,422
Inventories	109,647	103,532
Other current assets	18,321	8,292
Accounts payable	(43,756)	(41,593)
Accrued expenses	(15,178)	(18,474)
Other current liabilities	(19,602)	(15,241)
Working capital	166,912	136,584
Less: Cash and cash equivalents	(30,231)	(16,646)
Less: Other current assets	(18,321)	(8,292)
Less: Other current liabilities	19,602	15,241
Adjusted working capital	$ 137,962	$ 126,887

The increase in cash and cash equivalents reflects the strong performance of the Company's international subsidiaries. The increase in receivables, net is primarily attributable to (i) higher sales in our Asian operations and (ii) a reduction in reserves. The increase in inventories is primarily attributable to higher raw material costs, a higher import duty rate in Brazil and higher quantities in our international subsidiaries in support of increased sales. The increase in other current assets is primarily attributable to an increase in income taxes receivable primarily due to the favorable depreciation provisions of the Protecting Americans from Tax Hikes Act of 2015 and an increase in research and development credits. The change in accounts payable reflects the timing of vendor payments and purchasing activity. The decrease in accrued expenses is primarily attributable to the payment of amounts (i) for variable compensation earned in fiscal 2016 and (ii) to former executive officers. The increase in other current liabilities is related to the short-term portion of a capital lease obligation that commenced in the current period and an increase in the current portion of the ABL Term

Loan due to the provisions of the principal reset completed during the second quarter of fiscal 2017. Both working capital and Adjusted Working Capital are within the ranges anticipated by management.

Capital Projects

During the current nine-month period, the Company invested approximately $34,500 in capital projects. The most significant investments, in addition to maintenance, include: (i) the expansion of the REPREVE® Recycling Center in Yadkinville, North Carolina to accommodate a fourth production line, (ii) the construction of assets for production of specialized fibers in partnership with Eastman Chemical Company and (iii) the completion of the new REPREVE® Bottle Processing Center in Reidsville, North Carolina, all within the Polyester Segment. The REPREVE® Recycling Center expansion is intended to increase the Company's capacity to produce recycled products for existing operations and potential markets. Both REPREVE® projects are centered around supporting the growing focus on recycling and sustainability, especially with the REPREVE® brand and its expanding portfolio.

Through the remainder of fiscal 2017, the Company expects to invest approximately an additional $5,500 in capital projects (for an anticipated total of $40,000 for the fiscal year), which includes (i) nearing completion of the fourth REPREVE® Recycling Center production line and (ii) additional machinery modifications to meet the ever-changing demands of the market and to support growth from the Company's strategy to provide PVA products globally. The Polyester Segment is the primary beneficiary of these investments.

The Company will seek to ensure maintenance capital expenditures are sufficient to allow continued production at high efficiencies. As the new REPREVE® Bottle Processing Center reaches full production, the Company's goal is to continue support for REPREVE® by securing a stream of high-quality raw materials (in the form of plastic bottle flake). This, combined with technology advancements in recycling that will be incorporated into the fiscal 2017 recycling expansion, will enhance the Company's ability to grow REPREVE® into other markets such as nonwovens, carpet fiber and packaging.

The total amount ultimately invested for fiscal 2017 could be more or less depending on the timing and scale of contemplated initiatives and is expected to be funded by a combination of cash from operations, borrowings under the ABL Revolver and new capital lease obligations. The Company expects recent capital projects undertaken to provide benefits to future profitability. The additional assets from these capital projects consist primarily of machinery and equipment.

As a result of the continued focus on REPREVE® and other PVA yarns as part of a mix enrichment strategy, the Company may incur additional expenditures for capital projects, beyond the currently estimated amount, as it pursues new, currently unanticipated opportunities in order to expand manufacturing capabilities for these products, for other strategic growth initiatives or to further streamline the manufacturing process, in which case the Company may be required to increase the amount of working capital and long-term borrowings. If the strategy is successful, the Company would expect higher gross profit as a result of the combination of potentially higher sales volumes and an improved mix from higher-margin yarns.

Stock Repurchase Program

The Company made no repurchases of its shares of common stock during the current period. As of March 26, 2017, the Company had repurchased a total of 3,147 shares, at an average price of $23.01 (for a total of $72,438, inclusive of commission costs), since January 2013, pursuant to its two Board-approved stock repurchase programs. As of March 26, 2017, approximately $27,600 remained available for repurchases under the current Board-approved stock repurchase program.

Liquidity Summary

The Company 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. The Company believes that its existing cash balances, cash provided by operating activities and borrowings available under the ABL Revolver will enable the Company to comply with the terms of its indebtedness and meet its foreseeable liquidity requirements. Domestically, the Company's cash balances, cash provided by operating activities and borrowings available under the ABL Revolver continue to be sufficient to fund the Company's domestic operating activities as well as cash commitments for its investing and financing activities. For its current foreign operations, the Company expects its existing cash balances and cash provided by operating activities to provide the needed liquidity to fund its foreign operating and investing activities. However, if the Company expands its foreign asset base, it may require cash from its domestic sources.

Cash Provided by Operating Activities

Net cash provided by operating activities decreased from $38,243 for the prior nine-month period to $29,286 for the current nine-month period. The significant components of cash provided by operating activities are summarized below.

	For the Nine Months Ended	
	March 26, 2017	March 27, 2016
Net income including non-controlling interest	$ 22,673	$ 23,255
Loss on sale of business	1,662	—
Equity in earnings of unconsolidated affiliates	(2,073)	(7,330)
Subtotal (1)	22,262	15,925
Distributions received from unconsolidated affiliates	1,500	2,947
Deferred income taxes	6,305	7,015
Other changes	(781)	12,356
Net cash provided by operating activities	$ 29,286	$ 38,243

(1) Subtotal eliminates fluctuations caused by changes in equity in earnings of unconsolidated affiliates and loss on sale of business. This calculation is not intended to represent a GAAP measure.

The decrease in net cash provided by operating activities is primarily due to an increase in working capital in the current nine-month period, as indicated in the *Other changes* above. Such increase in working capital is primarily attributable to an increase in receivables and inventories due to comparatively higher international sales and an increase in raw materials costs. The remaining change in net cash provided by operating activities relates to the timing of income tax payments and benefits for the Company's domestic operations, primarily related to the favorable depreciation provisions of the Protecting Americans from Tax Hikes Act of 2015 and an increase in research and development credits. Lastly, as PAL's performance is comparatively weaker, routine tax distributions received by the Company have declined accordingly.

Cash Used in Investing Activities and Cash Provided by Financing Activities

The Company utilized $28,054 (net) for investing activities and received $12,288 (net) from financing activities during the current nine-month period.

Significant investing activities include $27,875 for capital expenditures, which primarily relate to the addition of machinery, equipment and infrastructure, especially for REPREVE®, and most notably for the Company's new REPREVE® Bottle Processing Center in Reidsville, North Carolina, and for the fourth REPREVE® Recycling Center production line in Yadkinville, North Carolina as described above under the heading "—Capital Projects."

Significant financing activities include $12,150 for net borrowings against the ABL Facility. These borrowings helped fund the investing activities described above.

Contractual Obligations

The Company has incurred various financial obligations and commitments in the normal course of its operating and financing activities. Financial obligations are considered to represent known future cash payments that the Company is required to make under existing contractual arrangements, such as debt and lease agreements.

Changes to the Company's obligations via various debt and financing arrangements during the current period have been outlined in Note 10, "Long-Term Debt" and Note 19, "Commitments and Contingencies," with supplemental discussions above in this Item 2.

There have been no further material changes in the scheduled maturities of the Company's contractual obligations as disclosed in the table under the heading "Contractual Obligations" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2016 Form 10-K.

Off-Balance Sheet Arrangements

The Company 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 the Company'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 estimates from quarter to quarter could materially impact the presentation of the financial statements. The Company's critical accounting policies are discussed in the 2016 Form 10-K. There have been no material changes to these policies during the current period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risks associated with changes in interest rates, fluctuations in foreign currency exchange rates, and changes in raw material and commodity costs, which may adversely affect its financial position, results of operations or cash flows. The Company does not enter into derivative financial instruments for trading purposes, nor is it a party to any leveraged financial instruments.

Interest Rate Risk

The Company is exposed to interest rate risk through its borrowing activities. As of March 26, 2017, the Company had borrowings under its ABL Revolver and ABL Term Loan that totaled $108,600 and contained variable rates of interest; however, the Company hedges a portion of such interest rate variability using an interest rate swap. After considering the variable rate debt obligations that have been hedged and the Company's outstanding debt obligations with fixed rates of interest, the Company's sensitivity analysis shows that a 50-basis point increase in LIBOR as of March 26, 2017 would result in an increase of $293 in annual interest expense.

Foreign Currency Exchange Rate Risk

The Company conducts its business in various foreign countries and in various foreign currencies. Each of the Company'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 the Company to foreign currency exchange rate risk. The Company may enter into foreign currency forward contracts to hedge this exposure. The Company may also enter into foreign currency forward contracts to hedge its exposure for certain equipment or inventory purchase commitments. As of March 26, 2017, the Company had no material outstanding foreign forward currency contracts.

A significant portion of raw materials purchased by the Company's Brazilian subsidiary is denominated in U.S. Dollars, requiring the Company to regularly exchange Brazilian Real. During recent fiscal years, and most notably in fiscal 2015, the Company was negatively impacted by a devaluation of the Brazilian Real. However, in recent quarters, the Brazilian Real has been relatively stable in relation to the U.S. Dollar. Predicting fluctuations in the Brazilian Real is impracticable.

As of March 26, 2017, the Company's subsidiaries outside the United States, whose functional currency is other than the U.S. Dollar, held approximately 14% of the Company's consolidated total assets. The Company does not enter into foreign currency derivatives to hedge its net investment in its foreign operations.

As of March 26, 2017, $26,738, or 88%, of the Company's cash and cash equivalents was held outside the United States, of which approximately $21,570 was held in U.S. Dollar equivalents.

Raw Material and Commodity Risks

A significant portion of the Company's raw materials and energy costs is 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. The Company does not use financial instruments to hedge its exposure to changes in these costs. The costs of the primary raw materials that the Company uses throughout all of its operations are generally based on U.S. Dollar 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.

Other Risks

The Company is also exposed to political risk, including changing laws and regulations governing international trade, such as quotas, tariffs and tax laws. While recently proposed changes to the U.S. tax code may impact the Company, the degree of impact from any potentially enacted legislation cannot be predicted.

Item 4. Controls and Procedures.

As of March 26, 2017, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was performed under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer. Based on that evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company 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 the Company in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company's internal control over financial reporting during the quarter ended March 26, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is 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.

Item 1A. Risk Factors.

There have been no material changes in the Company's risk factors from those disclosed in "Item 1A. Risk Factors" in the 2016 Form 10-K.

Item 6. 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)).
10.1+*	Form of Incentive Stock Option Agreement for use in connection with the Unifi, Inc. 2013 Incentive Compensation Plan.
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 (unaudited) from Unifi, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 26, 2017, filed on May 4, 2017, formatted in eXtensible Business Reporting Language: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) the Notes to Condensed Consolidated Financial Statements.

\+ Filed herewith.
++ Furnished herewith.
* Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

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

UNIFI, INC.
(Registrant)

Date: May 4, 2017

By: /s/ SEAN D. GOODMAN
Sean D. Goodman
Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

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+ Filed herewith.
++ Furnished herewith.
* Indicates a management contract or compensatory plan or arrangement.

INCENTIVE STOCK OPTION AGREEMENT

This Incentive Stock Option Agreement (this "***Agreement***") is made by and between UNIFI, INC., a New York corporation (the "***Company***"), and **___________**, a key employee (the "***Optionee***") of the Company.

WITNESSETH:

WHEREAS, the Company has adopted the Unifi, Inc. 2013 Incentive Compensation Plan (the "***Plan***"), which became effective on October 23, 2013; and

WHEREAS, the Compensation Committee (the "***Committee***") of the Board of Directors (the "***Board***") of the Company has determined that it is desirable and in the best interests of the Company to grant to the Optionee a stock option as an incentive for the Optionee to advance the interests of the Company;

NOW, THEREFORE, the parties agree as follows:

Section 1. Incorporation of Plan. The Plan is incorporated by reference and made a part of this Agreement, and this Agreement shall be subject to the terms of the Plan, as the Plan may be amended from time to time, provided that any such amendment of the Plan must be made in accordance with Section 15 of the Plan. Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings ascribed to them in the Plan.

Section 2. Grant of Option; Exercise Price; Expiration Date. The Company has granted, effective as of ________________ (the "***Date of Grant***"), to Optionee the right, privilege and option (the or this "***Option***") to purchase **_____** shares of Company Stock ("***Option Shares***") in the manner and subject to the conditions hereinafter set forth. The Option is intended to constitute an Incentive Stock Option. If the aggregate Fair Market Value (determined as of the time of the applicable grant date) of the Company Stock with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year under this Option and all other stock options granted to Optionee pursuant to incentive stock option plans (as defined by Code Section 422) of the Company would exceed $100,000, then subject to the ordering provisions of Code Section 422, all or a portion of this Option attributable to such excess amount will be treated as a Nonstatutory Stock Option.

The exercise price for the Option shall be $_____ per share, which is the Fair Market Value of the Company Stock on the Date of Grant. The Option shall expire, if not previously exercised or terminated as provided herein, on the date that is ten (10) years from the Date of Grant (the "***Expiration Date***").

Section 3. Time of Exercise. The Option shall vest and become exercisable with respect to the Option Shares according to the following schedule (each such date being a "***Vesting Date***"):

As of the Following Anniversary of the Date of Grant:	The Option Shall Become Exercisable with Respect to the Following Percentage of the Option Shares:
One-Year Anniversary	_____%
Two-Year Anniversary	_____%
Three-Year Anniversary	_____%

There shall be no vesting of the Option to result in fractional shares under this vesting schedule. If the vesting schedule would otherwise result in a fractional share, the number of shares shall be rounded up to the next whole number, subject to the next sentence with respect to the final Vesting Date. If the number of Option Shares with respect to which the Optionee becomes vested is rounded up on any Vesting Date prior to the final Vesting Date, the number of Option Shares with respect to which the Optionee becomes vested on the final Vesting Date shall be adjusted so that the total number of vested Option Shares does not exceed the number of Option Shares set forth above. For example, if the Optionee was awarded an Option to purchase 100 Option Shares under this Agreement, the Optionee would become vested with respect to 34, 34 and 32 Option Shares on the respective Vesting Dates listed above.

The Option shall not become exercisable in accordance with the foregoing vesting schedule as of any anniversary if the Optionee's Date of Termination (as defined in Section 10(b)) occurs before such Vesting Date. Exercisability under this vesting schedule is cumulative, and after the Option becomes exercisable under the above schedule with respect to any portion of the Option Shares, it shall continue to be exercisable with respect to that portion of the Option Shares until the Option expires. Notwithstanding the foregoing provisions of this Section 3, the Option shall become vested and exercisable with respect to all of the Option Shares upon either of: (a) the date of the Optionee's Date of Termination by reason of the Optionee's death, Disability or Retirement (as defined in Section 10(c)) or (b) the date of a Change of Control, if such Change of Control occurs prior to Optionee's Date of Termination.

Section 4. Method of Exercise. The Option shall be exercised by written notice directed to the Chief Financial Officer or General Counsel of the Company or other Officer as may hereafter be designated by the Committee ("***Designated Officer***") at the Company's principal office in Greensboro, North Carolina, or at such other office as the Company may designate. Such notice shall (a) set forth the number of full shares of Company Stock for which the Option is being exercised, (b) be signed by the person exercising the Option, and (c) be accompanied by payment of the full purchase price of such shares (the "***Option Price***") in the form of (i) a certified or other check acceptable to the Company made payable to the order of the Company, (ii) a certificate or certificates (or an instrument confirming the ownership of shares of Company Stock in book-entry or other uncertificated form) representing shares of Company Stock (duly endorsed or otherwise in a form acceptable to the Designated Officer), or (iii) a combination of the foregoing, with the value of any shares of Company Stock being equal to their Fair Market Value on the date said notice is received by the Company. Such exercise shall be effective only when said properly executed notice, accompanied by check or stock certificates as referred to above, are received by the Designated Officer. Any certificate for shares of Company Stock issued upon the exercise of the Option or part thereof (and for any shares of Company Stock delivered to the Company under clause (c) above, in excess of the Option Price) shall be issued or reissued, as the case may be, with or without restrictive legend, as determined by the Designated Officer, in the name of the person exercising the Option, and shall be delivered to such person; provided, however, that shares may be issued or reissued in book-entry uncertificated form if acceptable to the Optionee or other person exercising the Option. All shares of Company Stock issued as provided herein will be fully paid and nonassessable.

Section 5. Withholding. The Optionee, upon the exercise of the Option, shall pay to the Company in cash the amount of any Applicable Withholding Taxes. Notwithstanding the foregoing, the Optionee may satisfy this obligation in whole or in part, and any other local, state or federal income tax obligations resulting from the exercise or the surrender of the Option, by electing (a) to deliver to the Company shares of Company Stock owned by the Optionee at the time of the exercise, (b) to have the Company withhold a portion of the Option Shares to which the Optionee would otherwise be entitled or (c) a combination of the foregoing. Any shares of Company Stock delivered or to be withheld in satisfaction of any tax obligation of the Optionee shall have a value equal to their Fair Market Value on the day the Option exercise notice under Section 4 is received by the Company.

Section 6. Termination of Option. Except as herein otherwise stated, the Option shall terminate upon the first to occur of the following dates or events, to the extent not theretofore exercised:

(a) the expiration of three months from the Optionee's Date of Termination, but not beyond the Expiration Date, except if such termination be by reason of death or Disability or Cause (as defined below);

(b) in the event of the death of the Optionee, the Administrator of the deceased Optionee's estate, the Executor under the Optionee's Last Will and Testament, or the person or persons to whom the Option shall have been validly transferred by such Executor or Administrator pursuant to the Last Will and Testament or the applicable laws of intestate succession shall have the right within twelve (12) months of the date of the Optionee's death, but not beyond the Expiration Date, to exercise such Option to the extent exercisable by the Optionee at the date of his or her death;

(c) if the termination of the Optionee's employment is due to Retirement or Disability, the Optionee shall have the right within twelve (12) months from his or her Date of Termination, but not beyond the Expiration Date, to exercise such Option to the extent exercisable on such Date of Termination; and

(d) if the Optionee's employment with the Company is terminated for Cause, the Optionee's Date of Termination.

Section 7. Reclassification, Consolidation, or Merger. If and to the extent that the number of issued shares of Company Stock shall be increased or reduced by change in par value, split or combination, reclassification, distribution of a dividend payable in stock, or the like, the number of Option Shares and the exercise price per share under the Option shall be proportionately adjusted.

If the Company is reorganized or consolidated or merged with another corporation, the Optionee shall be entitled to receive an option (a "***new option***") covering shares of such reorganized, consolidated or merged company in the same proportion, at an equivalent price and subject to the same conditions, as the Option. For purposes of the preceding sentence, the excess of the aggregate Fair Market Value of the shares of stock subject to the new option immediately after the reorganization, consolidation or merger over the aggregate exercise price of such shares of stock shall not be more than the excess of the aggregate Fair Market Value of all shares of Company Stock subject to the Option immediately before such reorganization, consolidation or merger over the aggregate Option Price of such shares of Company Stock, and the new option or the assumption of this Option in connection with such transaction shall not give Optionee additional benefits that he or she did not have under this Option, or deprive him or her of benefits that he or she had this Option, immediately before such transaction.

Section 8. Restrictive Legend. At the sole and absolute discretion of the Designated Officer, any certificate issued for Option Shares upon exercise of the Option, may carry such restrictive legend as the Designated Officer shall determine to be appropriate.

Section 9. Rights Prior to Exercise of the Option. This Option is non-transferable by the Optionee, except in the event of his or her death as provided in Section 6 above, and is exercisable only by the Optionee during his or her lifetime. The Optionee shall have no right as a shareholder with respect to the Option Shares until payment of the exercise price and delivery to the Optionee of such shares as herein provided.

Section 10. Definitions. In addition to the defined terms contained in the Plan (which have been incorporated by reference herein as provided in Section 1), the following terms have the indicated meanings for purposes of this Agreement:

(a) **"Cause"** means any of the following, as determined in good faith by the Committee: (i) an act of embezzlement, theft or misappropriation by the Optionee of any property of the Company or any Related Company; (ii) any breach by the Optionee of any material provision of any material agreement to which the Optionee is a party with the Company or any Related Company that is not cured, to the extent the breach is susceptible to being cured, within fourteen (14) days after the Company gives express notice to the Optionee describing such breach; (iii) gross negligence by the Optionee in the discharge of his or her lawful duties to the Company or any Related Company (after receiving express notice from the Company specifying the manner in which he or she is alleged to have been grossly negligent and having had the opportunity to cure the same within thirty (30) days from receipt of such notice); (iv) any act by the Optionee constituting a felony or a crime that otherwise involves dishonesty or misrepresentation; (v) the Optionee's breach of any fiduciary duty, under applicable law, to the Company or any Related Company, regardless of whether such conduct constitutes gross negligence; or (vi) any chemical or alcohol dependence by the Optionee that materially and adversely affects the performance of his or her duties or responsibilities to the Company or any Related Company.

(b) "***Date of Termination***" means the first day occurring on or after the Date of Grant on which the Optionee's employment with the Company and all Related Companies terminates for any reason; provided that a termination of employment shall not be deemed to occur by reason of a transfer of the Optionee between the Company and a Related Company or between two Related Companies; and further provided that the Optionee's employment shall not be considered terminated while the Optionee is on a leave of absence from the Company or a Related Company approved by the Optionee's employer. If, as a result of a sale or other transaction, the Optionee's employer ceases to be a Related Company (and the Optionee's employer is or becomes an entity that is separate from the Company), the occurrence of such transaction shall be treated as the Optionee's Date of Termination caused by the Optionee being discharged by the employer.

(c) "***Retirement***" means the occurrence of the Optionee's Date of Termination after age 57 with the approval of the Committee.

Section 11.Rule 16b-3 Intention. The Option granted to the Optionee is intended to meet the eligibility requirements of Rule 16b-3 promulgated by the Securities and Exchange Commission ("***SEC***") pursuant to the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), such that the Option is exempt from Section 16(b) of the Exchange Act and the so-called "short swing profit" provisions, which provide for the disgorgement of any profits realized by the Optionee, as an insider, from the purchase and sale (or sale and purchase) of Company Stock within a six-month period. The Company recommends that the Optionee consult with counsel prior to exercising the Option.

Section 12. Recoupment of Option/Shares of Stock. Notwithstanding any provision in the Plan or this Agreement to the contrary, all Option Shares and any shares of Company Stock acquired pursuant to the exercise of this Option shall be subject to recoupment by the Company pursuant to the Company's Compensation Recoupment Policy, as it may be amended from time to time (or any successor policy thereto) (the "***Recoupment Policy***"). The terms of the Recoupment Policy are hereby incorporated by reference into this Agreement.

Section 13. General Matters.

(a) Heirs and Successors. This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. Subject to the terms of the Plan, any benefits distributable to the Optionee under this Agreement that are not distributed at the time of the Optionee's death shall be distributed, at the time and in the form determined in accordance with the provisions of this Agreement and the Plan, to the beneficiary designated by the Optionee in writing filed with the Company in such form and at such time as the Committee shall require. If a deceased Optionee failed to designate a beneficiary, or if the designated beneficiary of the deceased Optionee dies before the Optionee or before complete distribution of the benefits due under this Agreement, the amounts to be distributed under this Agreement shall be distributed to the legal representative or representatives of the estate of the last to die of the Optionee and any designated beneficiary.

(b) Amendments by the Committee. The Committee may, at any time prior to the Expiration Date, amend this Agreement, provided that no amendment may, in the absence of written consent by the Optionee, adversely affect the rights of the Optionee under the Option prior to the date of such amendment.

(c) Administration. The authority to manage and control the operation and administration of this Agreement has been vested in the Committee, and the Committee shall have all powers with respect to this Agreement that it has with respect to the Plan. Any interpretation of the Agreement by the Committee, and any decision made by it with respect to the Agreement, are final and binding.

(d) Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of North Carolina without reference to principles of conflict of laws.

(e) Resolution of Disputes. Any disputes arising under or in connection with this Agreement shall be resolved by binding arbitration before a single arbitrator, to be held in North Carolina in accordance with the commercial rules and procedures of the American Arbitration Association. Judgment upon the award by the arbitrator shall be final and subject to appeal only to the extent permitted by law. Each party shall bear such party's own expenses incurred in connection with any arbitration; provided, however, that the cost of the arbitration to the Optionee, including, without limitation, reasonable attorneys' fees of the Optionee, shall be borne by the Company if the Optionee is the prevailing party in the arbitration. Anything to the contrary notwithstanding, each party hereto has the right to proceed with a court action for injunctive relief or relief from violations of law not within the jurisdiction of an arbitrator. If any costs of the arbitration borne by the Company in accordance herewith would constitute compensation to the Optionee for Federal tax purposes, then (i) the amount of any such costs reimbursed to the Optionee in one taxable year shall not affect the amount of such costs reimbursable to the Optionee in any other taxable year, (ii) the Optionee's right to reimbursement of any such costs shall not be subject to liquidation or exchange for any other benefit, and (iii) the reimbursement of any such costs incurred by the Optionee shall be made as soon as administratively practicable, but in any event within ten (10) days, after the date the Optionee is determined to be the prevailing party in the arbitration. The Optionee shall be responsible for submitting claims for reimbursement in a timely manner to enable payment within the timeframe provided herein.

(f) Notices. Any notice or other communication required or permitted under this Agreement, to be effective, shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given (i) on the date delivered in person, (ii) on the date indicated on the return receipt if mailed postage prepaid, by certified or registered U.S. Mail, with return receipt requested, (iii) on the date transmitted by facsimile or e-mail, if sent by 5:00 P.M., Eastern Time, and confirmation of receipt thereof is reflected or obtained, or (iv) on the next business day after delivery to the courier service or U.S. Mail (in time for and specifying next day delivery) if sent by Federal Express, UPS or other nationally recognized overnight courier service or overnight express U.S. Mail, with service charges or postage prepaid. In each case (except for personal delivery), any such notice or other communication shall be sent, as appropriate, (x) to the Optionee at the last address or facsimile number specified in the Optionee's records with the Company, or such other address or facsimile number as the Optionee may designate in writing to the Company, or (y) to the Company, Attention: General Counsel, at its corporate headquarters address or main facsimile number at such address or such other address as the Company may designate in writing to the Optionee.

(g) Failure to Enforce Not a Waiver. The failure of either party hereto to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

(h) Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be an original but all of which together shall represent one and the same agreement.

(i) Modifications; Entire Agreement; Headings. This Agreement cannot be changed or terminated orally. This Agreement and the Plan contain the entire agreement between the parties relating to the subject matter hereof. The section headings herein are intended for reference only and shall not affect the interpretation hereof.

IN WITNESS WHEREOF, the parties have executed this Incentive Stock Option Agreement, effective as of the Date of Grant set forth above.

UNIFI, INC.

By: ______________________________

Name: ______________________________

Title: ______________________________

OPTIONEE

____
(Signature)

____
(Print or Type Name)

Exhibit 31.1

CERTIFICATION

I, Thomas H. Caudle, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Unifi, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ THOMAS H. CAUDLE, JR.
Thomas H. Caudle, Jr.
President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Sean D. Goodman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Unifi, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ SEAN D. GOODMAN
Sean D. Goodman
Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Unifi, Inc. (the “Company”) for the period ended March 26, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas H. Caudle, Jr., President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2017

/s/ THOMAS H. CAUDLE, JR.
Thomas H. Caudle, Jr.
President
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Unifi, Inc. (the "Company") for the period ended March 26, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sean D. Goodman, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2017

/s/ SEAN D. GOODMAN
Sean D. Goodman
Vice President and Chief Financial Officer
(Principal Financial Officer)