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 September 30, 2018

OR

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

For the transition period from _____ to _____

Commission File Number: 1-10542

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

New York **(State or other jurisdiction of incorporation or organization)**	**11-2165495** **(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 every Interactive Data File required to be submitted 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 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	☐	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 November 1, 2018, there were 18,382,797 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, strategies, initiatives or earnings, are typical of such statements and are made under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management's beliefs, assumptions and expectations about our future performance, considering the information currently available to management. The words "believe," "may," "could," "will," "should," "would," "anticipate," "plan," "estimate," "project," "expect," "intend," "seek," "strive" and words of similar import, or the negative of such words, identify or signal the presence of forward-looking statements. These statements are not statements of historical fact; they involve risks and uncertainties that may cause our actual results, performance or financial condition to differ materially from the expectations of future results, performance or financial condition that we express or imply in any forward-looking statement. Factors that could contribute to such differences include, but are not limited to:

- the competitive nature of the textile industry and the impact of global competition;
- changes in the trade regulatory environment and governmental policies and legislation;
- the availability, sourcing and pricing of raw materials;
- general domestic and international economic and industry conditions in markets where the Company competes, including economic and political factors over which the Company has no control;
- changes in consumer spending, customer preferences, fashion trends and end uses for products;
- the financial condition of the Company's customers;
- the loss of a significant customer or brand partner;
- natural disasters, industrial accidents, power or water shortages, extreme weather conditions and other disruptions at one of our facilities;
- the success of the Company's strategic business initiatives;
- the volatility of financial and credit markets;
- the ability to service indebtedness and fund capital expenditures and strategic business initiatives;
- the availability of and access to credit on reasonable terms;
- changes in foreign currency exchange, interest and inflation rates;
- fluctuations in production costs;
- the ability to protect intellectual property;
- the strength and reputation of our brands;
- employee relations;
- the ability to attract, retain and motivate key employees;
- the impact of environmental, health and safety regulations;
- the impact of tax laws, the judicial or administrative interpretations of tax laws and/or changes in such laws or interpretations;
- 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 24, 2018 and in "Item 1A. Risk Factors" in this report or elsewhere herein.

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 ENDED SEPTEMBER 30, 2018

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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)

	September 30, 2018	June 24, 2018
ASSETS		
Cash and cash equivalents	$ 42,195	$ 44,890
Receivables, net	87,082	86,273
Inventories	131,961	126,311
Income taxes receivable	5,522	10,291
Other current assets	15,658	6,529
Total current assets	282,418	274,294
Property, plant and equipment, net	203,820	205,516
Deferred income taxes	3,166	3,288
Investments in unconsolidated affiliates	112,726	112,639
Other non-current assets	5,988	6,070
Total assets	$ 608,118	$ 601,807
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 46,139	$ 48,970
Accrued expenses	14,214	17,720
Income taxes payable	3,136	1,317
Current portion of long-term debt	16,814	16,996
Total current liabilities	80,303	85,003
Long-term debt	123,633	113,553
Other long-term liabilities	5,048	5,337
Income tax payable	427	470
Deferred income taxes	8,594	7,663
Total liabilities	218,005	212,026
Commitments and contingencies		
Common stock, $0.10 par value (500,000,000 shares authorized; 18,379,523 and 18,352,824 shares issued and outstanding as of September 30, 2018 and June 24, 2018, respectively)	1,838	1,835
Capital in excess of par value	57,706	56,726
Retained earnings	374,024	371,753
Accumulated other comprehensive loss	(43,455)	(40,533)
Total shareholders' equity	390,113	389,781
Total liabilities and shareholders' equity	$ 608,118	$ 601,807

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	
	September 30, 2018	September 24, 2017
Net sales	$ 181,611	$ 164,242
Cost of sales	161,592	140,950
Gross profit	20,019	23,292
Selling, general and administrative expenses	14,411	12,863
Provision (benefit) for bad debts	131	(59)
Other operating (income) expense, net	(240)	315
Operating income	5,717	10,173
Interest income	(147)	(81)
Interest expense	1,467	1,185
Equity in earnings of unconsolidated affiliates	(239)	(3,087)
Income before income taxes	4,636	12,156
Provision for income taxes	2,824	3,196
Net income	$ 1,812	$ 8,960
Net income per common share:		
Basic	$ 0.10	$ 0.49
Diluted	$ 0.10	$ 0.48

See accompanying notes to condensed consolidated financial statements.

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

	For the Three Months Ended	
	September 30, 2018	September 24, 2017
Net income	$ 1,812	$ 8,960
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(3,495)	2,865
Foreign currency translation adjustments for an unconsolidated affiliate	345	(106)
Changes in interest rate swaps	228	415
Other comprehensive (loss) income, net	(2,922)	3,174
Comprehensive (loss) income	$ (1,110)	$ 12,134

See accompanying notes to condensed consolidated financial statements.

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

	For the Three Months Ended	
	September 30, 2018	September 24, 2017
Cash and cash equivalents at beginning of year	$ 44,890	$ 35,425
Operating activities:		
Net income	1,812	8,960
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Equity in earnings of unconsolidated affiliates	(239)	(3,087)
Distributions received from unconsolidated affiliates	504	7,178
Depreciation and amortization expense	6,036	5,510
Non-cash compensation expense	998	1,151
Deferred income taxes	909	918
Other, net	(201)	(23)
Changes in assets and liabilities:		
Receivables, net	(1,636)	2,030
Inventories	(15,079)	(6,021)
Other current assets	(857)	(285)
Income taxes	6,591	(351)
Accounts payable and accrued expenses	(3,835)	(366)
Other, net	39	146
Net cash (used in) provided by operating activities	(4,958)	15,760
Investing activities:		
Capital expenditures	(6,384)	(5,148)
Other, net	15	57
Net cash used in investing activities	(6,369)	(5,091)
Financing activities:		
Proceeds from ABL Revolver	34,000	22,200
Payments on ABL Revolver	(19,900)	(21,900)
Payments on ABL Term Loan	(2,500)	(2,500)
Payments on capital lease obligations	(1,790)	(1,785)
Proceeds from stock option exercises	244	219
Other	(646)	(263)
Net cash provided by (used in) financing activities	9,408	(4,029)
Effect of exchange rate changes on cash and cash equivalents	(776)	326
Net (decrease) increase in cash and cash equivalents	(2,695)	6,966
Cash and cash equivalents at end of period	$ 42,195	$ 42,391

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

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

UNIFI has direct manufacturing operations in four countries and participates in joint ventures in Israel and the United States, the most significant of which is a 34% non-controlling partnership interest in Parkdale America, LLC ("PAL"), a significant unconsolidated affiliate that produces cotton and synthetic yarns for sale to the global textile industry and apparel market.

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 UNIFI'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 24, 2018 (the "2018 Form 10-K").

The financial information included in this report has been prepared by UNIFI, 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 amounts, except per share amounts, are presented in thousands (000s), except as otherwise noted.

The fiscal quarter for Unifi, Inc. and all of its wholly owned subsidiaries ended on September 30, 2018, the last Sunday in September. The three-month periods ended September 30, 2018 and September 24, 2017 consisted of 14 and 13 fiscal weeks, respectively.

3. Recent Accounting Pronouncements

Issued and Pending Adoption

In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*. The new guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. While UNIFI has not yet determined the full effect of the new guidance on its ongoing financial reporting, as of June 24, 2018, UNIFI had approximately $5,800 of future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year). The new lease guidance is effective for UNIFI's fiscal 2020, and early adoption is permitted.

Under the guidance in the SEC Staff Announcement on July 20, 2017 relating to the transition to ASU No. 2014-09 (as discussed below) and ASU No. 2016-02, due to its status as a significant subsidiary of Unifi, Inc., PAL expects to adopt (i) the New Revenue Recognition Guidance (as defined below) in its fiscal 2019 and (ii) the new lease guidance in its fiscal 2020. PAL is currently evaluating the impact of the new revenue and lease guidance.

Recently Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent ASUs were issued to provide clarity and defer the effective date of the new guidance. The new revenue recognition guidance (the "New Revenue Recognition Guidance") eliminated the transaction- and industry-specific revenue recognition guidance under previous GAAP and replaced it with a principles-based approach.

Upon adoption in fiscal 2019, UNIFI has determined the impact of the New Revenue Recognition Guidance is immaterial. Accordingly, UNIFI utilized the modified retrospective method of adoption and recorded the impact of open contracts as of June 24, 2018 as an adjustment to the opening balance of fiscal 2019 retained earnings, and prior period balances are not adjusted. Details of the fiscal 2019 adjustment follow. See Note 4, "Revenue Recognition," for further detail regarding adoption and additional disclosures.

Revenue earned in fourth quarter fiscal 2018 related to contracts open at June 24, 2018	$	8,593
Less associated cost of sales		7,992
Less associated income tax		142
Adjustment to retained earnings for contracts open at June 24, 2018	$	459

Based on UNIFI's review of ASUs issued since the filing of the 2018 Form 10-K, there have been no other newly issued or newly applicable accounting pronouncements that have had, or are expected to have, a significant impact on UNIFI's consolidated financial statements.

4. Revenue Recognition

In fiscal 2019, UNIFI adopted the New Revenue Recognition Guidance. Details surrounding the impact of adoption and the additional disclosures follow.

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied, which primarily occurs at a point in time, upon either shipment or delivery to the customer. Revenue is also recognized over time for certain contracts in which the associated inventory produced has no alternative use and for which enforceable right to payment exists, or the associated services are rendered. Revenue is measured as the amount of consideration UNIFI expects to receive in exchange for completing its performance obligations (i.e., transferring goods or providing services), which includes estimates for variable consideration. Variable consideration includes volume-based incentives and product claims, which are offered within certain contracts between UNIFI and its customers. Sales taxes and value added taxes assessed by governmental entities are excluded from the measurement of consideration expected to be received. Shipping and handling costs incurred after a customer has taken possession of our goods are treated as a fulfillment cost and are not considered a separate performance obligation.

The following table presents disaggregated revenues for UNIFI:

	For the Three Months Ended	
	September 30, 2018	September 24, 2017
Third-party textile manufacturer	$ 179,321	$ 162,161
Service	2,290	2,081
Net sales	$ 181,611	$ 164,242

Third-Party Textile Manufacturer

Third-party textile manufacturer revenue is primarily generated through sales to direct customers. Such sales represent satisfaction of UNIFI's performance obligations required by the associated revenue contracts. Each of UNIFI's reportable segments derives revenue from sales to third-party textile manufacturers.

Service Revenue

Service revenue is primarily generated, as services are rendered, through fulfillment of toll manufacturing of textile products or transportation services governed by written agreements. Such toll manufacturing and transportation services represent satisfaction of UNIFI's performance obligations required by the associated revenue contracts. The Polyester Segment derives service revenue for toll manufacturing, and the All Other category derives service revenue for transportation services.

Variable Consideration

Volume-based incentives

Volume-based incentives involve rebates or refunds of cash that are redeemable if the customer satisfies certain order volume thresholds during a defined time period. Under these incentive programs, UNIFI estimates the anticipated rebate to be paid and allocates a portion of the estimated cost of the rebate to each underlying sales transaction with the customer.

Product claims

UNIFI generally offers customers claims support or remuneration for defective products. UNIFI estimates the amount of its product sales that may be claimed as defective by its customers and records this as a reduction of revenue in the period the related product revenue is recognized.

For all variable consideration, where appropriate, UNIFI estimates the amount using the expected value, which takes into consideration historical experience, current contractual requirements, specific known market events and forecasted customer buying and payment patterns. Overall, these reserves reflect UNIFI's best estimates of the amount of consideration to which the customer is entitled based on the terms of the contracts.

Impact of adoption of New Revenue Recognition Guidance

The following table summarizes the impact of the adoption of the New Revenue Recognition Guidance on UNIFI's applicable financial statement line items as of September 30, 2018. Any impact to other financial statement line items is insignificant and excluded from the below.

Financial Statement Line Item	Treatment under previous Revenue Recognition Guidance	Adjustments in connection with New Revenue Recognition Guidance	As reported under New Revenue Recognition Guidance
Revenue	$ 179,814	$ 1,797	$ 181,611
Cost of sales	$ 159,890	$ 1,702	$ 161,592
Gross profit	$ 19,924	$ 95	$ 20,019
Inventory	$ 141,620	$ (9,659)	$ 131,961
Contract assets	$ —	$ 10,337	$ 10,337

Contract assets represents the estimated revenue attributable to UNIFI in connection with completed performance obligations under contracts with customers for which revenue is recognized over time. The contract assets are classified to receivables when the right to payment becomes unconditional. The $10,337 change in the contract assets balance from June 24, 2018 to September 30, 2018 represents the routine recognition of satisfied performance obligations, in connection with adoption of and treatment under the New Revenue Recognition Guidance.

5. Receivables, Net

Receivables, net consists of the following:

	September 30, 2018	June 24, 2018
Customer receivables	$ 88,852	$ 87,633
Allowance for uncollectible accounts	(2,161)	(2,059)
Reserves for yarn quality claims	(757)	(564)
Net customer receivables	85,934	85,010
Other receivables	1,148	1,263
Total receivables, net	$ 87,082	$ 86,273

There have been no material changes in UNIFI’s allowance for uncollectible accounts or reserves for yarn quality claims since June 24, 2018.

6. Inventories

Inventories consists of the following:

	September 30, 2018	June 24, 2018
Raw materials	$ 49,124	$ 45,448
Supplies	7,952	7,314
Work in process	8,611	8,834
Finished goods	67,699	66,314
Gross inventories	133,386	127,910
Inventory reserves	(1,425)	(1,599)
Total inventories	$ 131,961	$ 126,311

In connection with UNIFI’s utilization of the modified retrospective adoption method, prior period balances are not adjusted to reflect the impact that the New Revenue Recognition Guidance would have had on prior periods. See Note 4, “Revenue Recognition,” for further detail regarding the impact of the New Revenue Recognition Guidance to fiscal 2019.

7. Other Current Assets

Other current assets consists of the following:

	September 30, 2018	June 24, 2018
Contract assets	$ 10,337	$ —
Vendor deposits	2,698	3,703
Prepaid expenses	1,460	1,802
Value-added taxes receivable	1,163	1,024
Total other current assets	$ 15,658	$ 6,529

Vendor deposits primarily relates to down payments made toward the purchase of raw materials. Prepaid expenses consists of advance payments for insurance, professional fees, membership dues, subscriptions, marketing and information technology services. Value-added taxes receivable relates to recoverable taxes associated with the sales and purchase activities of UNIFI's foreign operations.

8. Property, Plant and Equipment, Net

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

	September 30, 2018	June 24, 2018
Land	$ 2,841	$ 2,860
Land improvements	15,151	15,118
Buildings and improvements	157,590	157,354
Assets under capital leases	34,568	34,568
Machinery and equipment	591,281	589,237
Computers, software and office equipment	19,879	19,723
Transportation equipment	5,004	5,029
Construction in progress	8,242	8,651
Gross PP&E	834,556	832,540
Less: accumulated depreciation	(622,624)	(619,654)
Less: accumulated amortization – capital leases	(8,112)	(7,370)
Total PP&E, net	$ 203,820	$ 205,516

Depreciation expense and repair and maintenance expenses were as follows:

	For the Three Months Ended	
	September 30, 2018	September 24, 2017
Depreciation expense	$ 5,663	$ 5,123
Repair and maintenance expenses	5,860	4,725

9. Accrued Expenses

Accrued expenses consists of the following:

	September 30, 2018	June 24, 2018
Payroll and fringe benefits	$ 7,801	$ 10,833
Other	6,413	6,887
Total accrued expenses	$ 14,214	$ 17,720

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

10. Long-Term Debt

Debt Obligations

The following table presents the total balances outstanding for UNIFI's debt obligations, their scheduled maturity dates and the weighted average interest rates for borrowings as well as the applicable current portion of long-term debt:

	Scheduled Maturity Date	Weighted Average Interest Rate as of September 30, 2018	Principal Amounts as of	
			September 30, 2018	June 24, 2018
ABL Revolver	March 2020	4.0%	$ 42,200	$ 28,100
ABL Term Loan (1)	March 2020	3.7%	82,500	85,000
Capital lease obligations	(2)	3.8%	16,317	18,107
Total debt			141,017	131,207
Current portion of capital lease obligations			(6,814)	(6,996)
Current portion of other long-term debt			(10,000)	(10,000)
Unamortized debt issuance costs			(570)	(658)
Total long-term debt			$ 123,633	$ 113,553

(1) Includes the effects of interest rate swaps.
(2) Scheduled maturity dates for capital lease obligations range from January 2019 to November 2027.

ABL Facility

On March 26, 2015, Unifi, Inc. and its subsidiary, Unifi Manufacturing, Inc., entered into an Amended and Restated 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.

Scheduled Debt Maturities

The following table presents the scheduled maturities of UNIFI’s outstanding debt obligations for the remainder of fiscal 2019, the following four fiscal years and thereafter:

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Thereafter
ABL Revolver	$ —	$ 42,200	$ —	$ —	$ —	$ —
ABL Term Loan	7,500	75,000	—	—	—	—
Capital lease obligations	5,206	5,519	2,624	2,417	91	460
Total	$ 12,706	$ 122,719	$ 2,624	$ 2,417	$ 91	$ 460

11. Other Long-Term Liabilities

Other long-term liabilities consists of the following:

	September 30, 2018	June 24, 2018
Supplemental post-employment plan	$ 2,881	$ 3,045
Uncertain tax positions	133	131
Other	2,034	2,161
Total other long-term liabilities	$ 5,048	$ 5,337

Other primarily includes certain retiree and post-employment medical and disability liabilities, deferred revenue and deferred energy incentive credits.

12. Income Taxes

The provision for income taxes was as follows:

	For the Three Months Ended	
	September 30, 2018	September 24, 2017
Provision for income taxes	$ 2,824	$ 3,196
Effective tax rate	60.9%	26.3%

U.S. Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation H.R. 1, formerly known as the Tax Cuts and Jobs Act. H.R. 1 includes significant changes to existing tax law, including a permanent reduction to the U.S. federal corporate income tax rate from 35% to 21%, full expensing for investments in new and used qualified property, additional limitations on the deduction of compensation paid to specified executive officers, and the transition of the U.S. international tax system from a worldwide tax to a territorial tax system. As a fiscal-year taxpayer, certain provisions of H.R. 1 impacted UNIFI in fiscal 2018, including the change in the U.S. federal corporate income tax rate and the one-time transition tax, while other provisions became effective for UNIFI at the beginning of fiscal 2019.

On December 22, 2017, Staff Accounting Bulletin No. 118 (“SAB 118”) was issued to address the application of GAAP in situations where a registrant does not have the necessary information available, prepared or analyzed in reasonable detail to complete the accounting for certain income tax effects of H.R. 1. SAB 118 provides that when reasonable estimates can be made, the provisional accounting should be based on such estimates, and when reasonable estimates cannot be made, the provisional accounting may be based on the law in effect before H.R. 1. UNIFI has applied the guidance in SAB 118 when accounting for the enactment-date effects of H.R. 1. Accordingly, in fiscal 2018 UNIFI re-measured U.S. deferred tax assets and liabilities based on the income tax rates at which the deferred tax assets and liabilities are expected to reverse in the future, resulting in $4,297 of tax benefit for the year ended June 24, 2018. UNIFI also recorded $3,901 of tax expense related to the one-time mandatory deemed repatriation of foreign earning and profits, net of foreign tax credits. For a description of the impact of H.R. 1 for the year ended June 24, 2018, reference is made to Note 14, “Income Taxes,” in UNIFI’s 2018 Annual Report on Form 10-K. No adjustments to the enactment-date effects were recorded in the first quarter of fiscal 2019.

The Global Intangible Low-Taxed Income (“GILTI”) provisions included in H.R. 1 create a new requirement that certain income earned by foreign subsidiaries must be currently included in the gross income of the U.S. shareholder. These provisions are effective for UNIFI in fiscal 2019. The GILTI provisions are complex and subject to continuing regulatory interpretation by the U.S. Internal Revenue Service (the “IRS”). UNIFI is required to make an accounting policy election to either treat taxes resulting from GILTI as a current-period expense when they are incurred or factor such amounts into the measurement of deferred taxes. UNIFI has not completed its analysis related to this accounting policy election and has therefore considered the taxes resulting from GILTI as a current-period expense for the first quarter of fiscal 2019.

U.S. tax reform is significantly complex, and UNIFI's final tax liability may materially differ from provisional estimates due to additional guidance and regulations that may be issued by the U.S. Treasury Department, the IRS and state and local tax authorities, and for the finalization of the relevant calculations required by the new tax legislation. UNIFI will finalize accounting for H.R. 1 during the one-year measurement period and any adjustments to the provisional amounts will be included in income tax expense or benefit in the appropriate periods and disclosed, if material, in accordance with guidance provided by SAB 118.

Income Tax Expense

UNIFI's provision for income taxes for the three months ended September 30, 2018 and September 24, 2017 has been calculated by applying an estimate of the annual effective tax rate for the full fiscal year to quarter-to-date income or loss. Tax effects of significant unusual or infrequently occurring items are excluded from the estimated annual effective tax rate calculation and recognized in the interim period in which they occur.

The effective tax rate for the three months ended September 30, 2018 was higher than the U.S. federal statutory rate of 21% primarily due to earnings taxed at higher rates in foreign jurisdictions, losses in tax jurisdictions for which no tax benefit could be recognized, the effects of the GILTI provisions enacted in H.R. 1, and non-deductible executive compensation. The effective tax rate for the three months ended September 24, 2017 was lower than the then-current U.S. federal statutory rate of 35% primarily due to earnings taxed at lower rates in foreign jurisdictions and the benefits of increased research and development tax credits. These benefits were partially offset by losses in tax jurisdictions for which no tax benefit could be recognized and state and local income taxes.

UNIFI regularly assesses the outcomes of both completed and ongoing examinations to ensure that its 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 ("NOLs"), which could potentially be revised upon examination.

Valuation Allowance

UNIFI regularly assesses whether it is more-likely-than-not that some portion or all of its deferred tax assets will not be realized. UNIFI considers the scheduled reversal of taxable temporary differences, taxable income in carryback years, projected future taxable income and tax planning strategies in making this assessment. Since UNIFI operates in multiple jurisdictions, the assessment is made on a jurisdiction-by-jurisdiction basis, taking into account the effects of local tax law.

The components of UNIFI's deferred tax valuation allowance are as follows:

	September 30, 2018	June 24, 2018
Investment in a former domestic unconsolidated affiliate	$ (3,942)	$ (3,942)
Equity-method investment in PAL	(1,571)	(1,580)
Certain losses carried forward [(1)]	(1,562)	(1,562)
State NOLs	(169)	(169)
Other foreign NOLs	(2,160)	(2,460)
Foreign tax credits	(5,593)	(5,430)
Total deferred tax valuation allowance	$ (14,997)	$ (15,143)

(1) Certain U.S. NOLs and capital 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 Shareholders' Equity
Balance at June 24, 2018	18,353	$ 1,835	$ 56,726	$ 371,753	$ (40,533)	$ 389,781
Options exercised	16	2	242	—	—	244
Conversion of restricted stock units	14	1	(1)	—	—	—
Stock-based compensation	1	—	872	—	—	872
Common stock withheld in satisfaction of tax withholding obligations under net share settle transactions	(4)	—	(133)	—	—	(133)
Other comprehensive income, net of tax	—	—	—	—	(2,922)	(2,922)
Adoption of the New Revenue Recognition Guidance	—	—	—	459	—	459
Net income	—	—	—	1,812	—	1,812
Balance at September 30, 2018	18,380	$ 1,838	$ 57,706	$ 374,024	$ (43,455)	$ 390,113

	Shares	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at June 25, 2017	18,230	$ 1,823	$ 51,923	$ 339,940	$ (32,880)	$ 360,806
Options exercised	31	3	216	—	—	219
Stock-based compensation	—	—	965	—	—	965
Other comprehensive income, net of tax	—	—	—	—	3,174	3,174
Net income	—	—	—	8,960	—	8,960
Balance at September 24, 2017	18,261	$ 1,826	$ 53,104	$ 348,900	$ (29,706)	$ 374,124

No dividends were paid during the three months ended September 30, 2018 or in the two most recently completed fiscal years.

Stock Repurchase Program

On April 23, 2014, UNIFI announced that its Board of Directors (the "Board") had approved a stock repurchase program (the "2014 SRP") under which UNIFI was authorized to acquire up to $50,000 of its common stock. UNIFI made no repurchases of its shares of common stock during the current period. As of September 30, 2018, UNIFI had repurchased a total of 806 shares, at an average price of $27.79 (for a total of $22,409, inclusive of commission costs) pursuant to the 2014 SRP. As of September 30, 2018, $27,603 remained available for repurchases under the 2014 SRP.

On October 31, 2018, UNIFI announced that the Board had terminated the 2014 SRP and approved a new stock repurchase program (the "2018 SRP") under which UNIFI is authorized to acquire up to $50,000 of its common stock. Under the 2018 SRP, purchases will be made from time to time in the open market at prevailing market prices, through private transactions or block trades. The timing and amount of repurchases will depend on market conditions, share price, applicable legal requirements and other factors. The share repurchase authorization is discretionary and has no expiration date.

14. Stock-Based Compensation

On October 23, 2013, UNIFI's shareholders approved the Unifi, Inc. 2013 Incentive Compensation Plan (the "2013 Plan"). The 2013 Plan replaced the 2008 Unifi, Inc. Long-Term Incentive Plan (the "2008 LTIP"). No additional awards can be granted under the 2008 LTIP; however, prior awards outstanding under the 2008 LTIP remain subject to that plan's provisions. The 2013 Plan authorized the issuance of 1,000 shares of common stock, subject to certain increases in the event outstanding awards under the 2008 LTIP expire, are forfeited or otherwise terminate unexercised.

The following table provides information as of September 30, 2018 with respect to the number of securities remaining available for future issuance under the 2013 Plan:

Authorized under the 2013 Plan	1,000
Plus: Awards expired, forfeited or otherwise terminated unexercised	372
Less: Awards granted to employees	(720)
Less: Awards granted to non-employee directors	(136)
Available for issuance under the 2013 Plan	516

During the three months ended September 30, 2018 and September 24, 2017, UNIFI granted stock options to purchase 0 and 45 shares of common stock, respectively.

During the three months ended September 30, 2018 and September 24, 2017, UNIFI granted 0 and 64 restricted stock units, respectively.

The 2013 Plan expired in accordance with its terms on October 24, 2018, and the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan (the "Amended 2013 Plan") became effective on that same day, upon approval by shareholders at UNIFI's annual meeting of shareholders held on October 31, 2018. The Amended 2013 Plan increased the number of awards available for future issuance to 1,250 and renewed provisions no longer applicable due to the recent changes to Section 162(m) of the Internal Revenue Code of 1986, as amended. The material terms and provisions of the Amended 2013 Plan are otherwise similar to those of the 2013 Plan.

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

UNIFI may use derivative financial instruments such as foreign currency forward contracts or interest rate swaps to reduce its ongoing business exposures to fluctuations in foreign currency exchange rates or interest rates. UNIFI does not enter into derivative contracts for speculative purposes. The following table presents details regarding UNIFI's hedging activities:

	For the Three Months Ended	
	September 30, 2018	September 24, 2017
Interest expense	$ 1,467	$ 1,185
Increase in fair value of interest rate swaps	(228)	(415)
Impact of interest rate swaps on interest expense	(34)	131

For the three months ended September 30, 2018 and September 24, 2017, there were no significant changes to UNIFI's assets and liabilities measured at fair value, and there were no transfers into or out of the levels of the fair value hierarchy.

UNIFI believes that there have been no significant changes to its credit risk profile or the interest rates available to UNIFI for debt issuances with similar terms and average maturities, and UNIFI estimates that the fair values of its debt obligations approximate the carrying amounts. Other financial instruments include cash and cash equivalents, receivables, accounts payable and accrued expenses. The financial statement carrying amounts of these items approximate the fair value due to their short-term nature.

16. Accumulated Other Comprehensive Loss

The components of and the changes in accumulated other comprehensive loss, net of tax, as applicable, consist of the following:

	Foreign Currency Translation Adjustments	Changes in Interest Rate Swaps	Accumulated Other Comprehensive Loss
Balance at June 24, 2018	$ (42,268)	$ 1,735	$ (40,533)
Other comprehensive (loss) income, net of tax	(3,150)	228	(2,922)
Balance at September 30, 2018	$ (45,418)	$ 1,963	$ (43,455)

A summary of the after-tax effects of the components of other comprehensive (loss) income, net for the three-month periods ended September 30, 2018 and September 24, 2017 is included in the accompanying condensed consolidated statements of comprehensive (loss) income.

17. Earnings Per Share

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

	For the Three Months Ended	
	September 30, 2018	September 24, 2017
Net income	$ 1,812	$ 8,960
Basic weighted average shares	18,368	18,243
Net potential common share equivalents – stock options and restricted stock units	335	328
Diluted weighted average shares	18,703	18,571
Excluded from diluted weighted average shares:		
Anti-dilutive common share equivalents	116	264

The calculation of EPS is based on the weighted average number of Unifi, Inc.'s common shares outstanding for the applicable period. The calculation of diluted EPS 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

UNIFI currently maintains investments in three entities classified as unconsolidated affiliates: PAL; U.N.F. Industries, Ltd. ("UNF"); and UNF America LLC ("UNFA"). As of September 30, 2018, UNIFI's investment in PAL was $110,588 and UNIFI's combined investments in UNF and UNFA were $2,138, 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. UNIFI 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 valued using quoted prices classified within Level 1 of the fair value hierarchy. As of September 30, 2018, PAL had no futures contracts designated as cash flow hedges.

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

Underlying equity as of September 30, 2018	$	128,679
Initial excess capital contributions		53,363
Impairment charge recorded by UNIFI in fiscal 2007		(74,106)
Anti-trust lawsuit against PAL in which UNIFI did not participate		2,652
Investment as of September 30, 2018	$	110,588

U.N.F. Industries, Ltd.

Raw material and production services for UNF are provided by Nilit Ltd. 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 Nilit America Inc. under separate supply and services agreements. UNFA's fiscal year end is December 31, and it is a limited liability company treated as a partnership for income tax reporting purposes located in Ridgeway, Virginia.

In conjunction with the formation of UNFA, UNIFI entered into a supply agreement with UNF and UNFA whereby UNIFI agreed to purchase all of its first quality nylon POY requirements for texturing (subject to certain exceptions) from either UNF or UNFA. The agreement has no stated minimum purchase quantities and pricing is negotiated every six months, based on market rates. As of September 30, 2018, UNIFI's open purchase orders related to this agreement were $10,503.

UNIFI's raw material purchases under this supply agreement consist of the following:

	For the Three Months Ended			
	September 30, 2018		September 24, 2017	
UNF	$	486	$	608
UNFA		5,530		5,280
Total	$	6,016	$	5,888

As of September 30, 2018 and June 24, 2018, UNIFI had combined accounts payable due to UNF and UNFA of $2,004 and $2,301, respectively.

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

Condensed balance sheet and income statement information for UNIFI's unconsolidated affiliates (including reciprocal balances) is presented in the tables below. PAL is defined as significant and its information is separately disclosed. PAL does not meet the criteria for segment reporting.

	As of September 30, 2018			As of June 24, 2018		
	PAL	Other	Total	PAL	Other	Total
Current assets	$ 287,393	$ 6,995	$ 294,388	$ 289,683	$ 7,598	$ 297,281
Noncurrent assets	157,527	827	158,354	162,242	875	163,117
Current liabilities	63,048	3,546	66,594	71,026	3,722	74,748
Noncurrent liabilities	3,408	—	3,408	3,389	—	3,389
Shareholders' equity and capital accounts	378,464	4,276	382,740	377,510	4,751	382,261
UNIFI's portion of undistributed earnings	41,408	742	42,150	41,429	887	42,316

	For the Three Months Ended September 30, 2018			For the Three Months Ended September 24, 2017		
	PAL	Other	Total	PAL	Other	Total
Net sales	$ 210,502	$ 5,765	$ 216,267	$ 202,791	$ 5,693	$ 208,484
Gross profit	4,508	954	5,462	13,710	954	14,664
Income from operations	632	513	1,145	9,956	509	10,465
Net (loss) income	(49)	526	477	8,346	518	8,864
Depreciation and amortization	10,474	48	10,522	9,600	47	9,647
Cash received by PAL under cotton rebate program	2,318	—	2,318	2,241	—	2,241
Earnings recognized by PAL for cotton rebate program	3,214	—	3,214	3,255	—	3,255
Distributions received	4	500	504	7,178	—	7,178

19. Commitments and Contingencies

Collective Bargaining Agreements

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

Environmental

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

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

Leases

UNIFI routinely leases sales and administrative office space, warehousing and distribution centers, manufacturing space, transportation equipment, manufacturing equipment, and other information technology and office equipment from third parties.

UNIFI 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 UNIFI is required to make under existing contractual arrangements, such as debt and lease agreements.

20. Related Party Transactions

For details regarding the nature of certain related party relationships, see Note 24, "Related Party Transactions," to the consolidated financial statements in the 2018 Form 10-K.

There were no related party receivables as of September 30, 2018 or June 24, 2018.

Related party payables consists of the following:

	September 30, 2018	June 24, 2018
Salem Leasing Corporation (included within accounts payable)	$ 323	$ 306
Salem Leasing Corporation (capital lease obligation)	856	875
Total related party payables	$ 1,179	$ 1,181

Related party transactions in excess of $120 for the current or prior two fiscal years consist of the following amounts for the periods presented:

		For the Three Months Ended	
Affiliated Entity	Transaction Type	September 30, 2018	September 24, 2017
Salem Leasing Corporation	Transportation equipment costs and capital lease debt service	$ 1,021	$ 981
Salem Global Logistics, Inc.	Freight service income	—	42

21. Business Segment Information

UNIFI defines operating segments as components of the organization for which discrete financial information is available and operating results are evaluated on a regular basis by UNIFI's Chief Executive Officer, who is the chief operating decision maker (the "CODM"), in order to assess performance and allocate resources. Characteristics of the organization which were relied upon in making the determination of reportable segments include the nature of the products sold, the organization's internal structure, the trade policies in the geographic regions in which UNIFI operates, and the information that is regularly reviewed by the CODM for the purpose of assessing performance and allocating resources.

UNIFI's operating segments are aggregated into three reportable segments (the Polyester Segment, the Nylon Segment and the International Segment) based on similarities between the operating segments' economic characteristics, nature of products sold, type of customer, methods of distribution and regulatory environment.

- The operations within the Polyester Segment exhibit similar long-term economic characteristics and primarily sell into an economic trading zone covered by the North American Free Trade Agreement ("NAFTA") and the Dominican Republic—Central America Free Trade Agreement ("CAFTA-DR") to similar customers utilizing similar methods of distribution. These operations derive revenues primarily from polyester-based products with sales primarily to other yarn manufacturers and knitters and weavers that produce yarn and/or fabric for the apparel, hosiery, automotive, home furnishings, industrial and other end-use markets. The Polyester Segment consists of sales and manufacturing operations in the United States and El Salvador.
- The operations within the Nylon Segment exhibit similar long-term economic characteristics and primarily sell into an economic trading zone covered by NAFTA and CAFTA-DR to similar customers utilizing similar methods of distribution. The Nylon Segment includes an immaterial operating segment in Colombia that sells similar nylon-based textile products to similar customers in Colombia and Mexico utilizing similar methods of distribution. These operations derive revenues primarily from nylon-based products with sales to knitters and weavers that produce fabric primarily for the apparel and hosiery markets. The Nylon Segment consists of sales and manufacturing operations in the United States and Colombia.
- The operations within the International Segment exhibit similar long-term economic characteristics and sell to similar customers utilizing similar methods of distribution in geographic regions that are outside of the NAFTA and CAFTA-DR economic trading zone. The International Segment primarily sells polyester-based products to knitters and weavers that produce fabric for the apparel, automotive, home furnishings, industrial and other end-use markets primarily in the South American and Asian regions. The International Segment includes a manufacturing location in Brazil and sales offices in Brazil, China and Sri Lanka.

In addition to UNIFI's reportable segments, the selected financial information presented below includes an All Other category. All Other consists primarily of for-hire transportation services. For-hire transportation services revenue is derived from performing common carrier services utilizing UNIFI's fleet of transportation equipment.

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

UNIFI evaluates the operating performance of its segments based upon Segment Profit, which represents segment gross profit plus segment depreciation expense. This measurement of segment profit best aligns segment reporting with the current assessments and evaluations performed by, and information provided to, the CODM.

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

Selected financial information is presented below:

	For the Three Months Ended September 30, 2018				
	Polyester	Nylon	International	All Other	Total
Net sales	$ 100,131	$ 27,949	$ 52,353	$ 1,178	$ 181,611
Cost of sales	93,403	25,805	41,330	1,054	161,592
Gross profit	6,728	2,144	11,023	124	20,019
Segment depreciation expense	4,252	561	359	75	5,247
Segment Profit	$ 10,980	$ 2,705	$ 11,382	$ 199	$ 25,266

	For the Three Months Ended September 24, 2017				
	Polyester	Nylon	International	All Other	Total
Net sales	$ 87,738	$ 26,827	$ 48,659	$ 1,018	$ 164,242
Cost of sales	78,825	23,513	37,661	951	140,950
Gross profit	8,913	3,314	10,998	67	23,292
Segment depreciation expense	3,867	537	416	65	4,885
Segment Profit	$ 12,780	$ 3,851	$ 11,414	$ 132	$ 28,177

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

	For the Three Months Ended	
	September 30, 2018	September 24, 2017
Polyester	$ 6,728	$ 8,913
Nylon	2,144	3,314
International	11,023	10,998
All Other	124	67
Segment gross profit	20,019	23,292
Selling, general and administrative expenses	14,411	12,863
Provision (benefit) for bad debts	131	(59)
Other operating (income) expense, net	(240)	315
Operating income	5,717	10,173
Interest income	(147)	(81)
Interest expense	1,467	1,185
Equity in earnings of unconsolidated affiliates	(239)	(3,087)
Income before income taxes	$ 4,636	$ 12,156

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

	September 30, 2018	June 24, 2018
Polyester	$ 288,871	$ 284,261
Nylon	59,284	57,378
International	88,746	95,006
Segment total assets	436,901	436,645
Other current assets	36,713	30,945
Other PP&E	17,261	17,373
Other non-current assets	4,517	4,205
Investments in unconsolidated affiliates	112,726	112,639
Total assets	$ 608,118	$ 601,807

22. Supplemental Cash Flow Information

Cash payments (refunds) for interest and taxes consist of the following:

	For the Three Months Ended	
	September 30, 2018	September 24, 2017
Interest, net of capitalized interest of $59 and $41, respectively	$ 1,627	$ 1,048
Income tax (refunds) payments, net	(4,204)	2,450

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

Non-Cash Investing and Financing Activities

As of September 30, 2018 and June 24, 2018, $1,607 and $3,187, respectively, were included in accounts payable for unpaid capital expenditures. As of September 24, 2017 and June 25, 2017, $2,928 and $3,234, respectively, were included in accounts payable for unpaid capital expenditures.

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 UNIFI's operations, along with material changes in financial condition, during the periods included in the accompanying condensed consolidated financial statements. 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 September 30, 2018, while a reference to the "prior period" refers to the three-month period ended September 24, 2017. Such references may be accompanied by certain phrases for added clarity. The current period consisted of 14 fiscal weeks, while the prior period consisted of 13 fiscal weeks.

Our discussions in this Item 2 are based upon the more detailed discussions about our business, operations and financial condition included in the 2018 Form 10-K. These discussions focus on our results during, or as of, the three months ended September 30, 2018 and September 24, 2017, and, to the extent applicable, any material changes from the information discussed in the 2018 Form 10-K or other important intervening developments or information. These discussions should be read in conjunction with the 2018 Form 10-K for more detailed and background information.

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

Overview and Significant General Matters

UNIFI's business focuses on delivering PVA products and solutions to customers and brand partners throughout the world, leveraging our internal manufacturing capabilities and an enhanced global supply chain that delivers a diverse range of synthetic and recycled fibers and polymers. This strategic and synergistic focus includes a number of supporting pillars, such as investing in commercial expansion; growing our existing portfolio of technologies and capabilities; engaging in strategic partnerships; and investing in UNIFI's people and teams. UNIFI remains committed to these strategic initiatives, which it believes will increase profitability and generate improved cash flows from operations.

UNIFI has three reportable segments for its operations – the Polyester Segment, the Nylon Segment and the International Segment – as well as certain ancillary operations that include for-hire transportation services, which comprise an All Other category. The ancillary operations classified within All Other are insignificant for all periods presented; therefore, UNIFI'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, each of which is addressed in more detail below:

- Net sales for the current period increased $17,369, or 10.6%, to $181,611, compared to $164,242 for the prior period, and increased $24,020, or 14.6%, when excluding the impact of foreign currency translation;
- The current period was favorably impacted by approximately $8,300 of sales attributable to the 14th week;
- Revenues from PVA products for the current period grew 10.1% compared to the prior period (or 14.4% when excluding the impact of foreign currency translation), and represented approximately 43% of consolidated net sales;
- Gross margin was 11.0% for the current period, compared to 14.2% for the prior period;
- Operating income was $5,717 for the current period, compared to $10,173 for the prior period; and
- Diluted EPS was $0.10 for the current period, compared to $0.48 for the prior period.

Consistent with the market and financial trends that have affected its business in the last several quarters, UNIFI experienced a number of challenges in its first quarter of fiscal 2019 that combined to have a significant negative impact on profitability despite an increase in net sales. The primary challenges related to (i) persistently increasing raw material costs and an inherent lag in implementing responsive price increases, (ii) a less-profitable sales mix in the Polyester and Nylon Segments and (iii) higher-than-expected integration costs associated with the dyed business acquisition.

Key Performance Indicators and Non-GAAP Financial Measures

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

- sales volume and revenue for UNIFI and for each reportable segment;
- gross profit and gross margin for UNIFI and for each reportable segment;
- Net income and diluted EPS;
- Segment Profit, which represents segment gross profit plus segment depreciation expense;
- unit conversion margin, which represents unit net sales price less unit raw material costs, for UNIFI and for each reportable segment;
- working capital, which represents current assets less current liabilities;
- Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), which represents Net income before net interest expense, income tax expense and depreciation and amortization expense;
- Adjusted EBITDA, which represents EBITDA adjusted to exclude equity in loss (earnings) of PAL, and, from time to time, certain other adjustments necessary to understand and compare the underlying results of UNIFI;

- Adjusted Net Income, which represents Net income calculated under GAAP, adjusted to exclude certain amounts which management believes do not reflect the ongoing operations and performance of UNIFI and/or which are necessary to understand and compare the underlying results of UNIFI, such as the approximate after-tax impact of certain income or expense items (as well as specific impacts to the provision for income taxes);
- Adjusted EPS, which represents Adjusted Net Income divided by UNIFI's diluted weighted average common shares outstanding; and
- Adjusted Working Capital (receivables plus inventory and other current assets, less accounts payable and accrued expenses).

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

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

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

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

Management uses Adjusted Working Capital as an indicator of UNIFI's production efficiency and ability to manage inventory and receivables. In the first quarter of fiscal 2019, in connection with changes to balance sheet presentation required by the adoption of the New Revenue Recognition Guidance, UNIFI updated the definition of Adjusted Working Capital to include other current assets for current and historical calculations of the non-GAAP financial measure. Other current assets includes amounts capitalized for future conversion into inventory or receivables (e.g., vendor deposits and contract assets), and management believes that its inclusion in the definition of Adjusted Working Capital improves the understanding of UNIFI capital that is supporting production and sales activity.

Non-GAAP Reconciliations

EBITDA and Adjusted EBITDA

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

	For the Three Months Ended	
	September 30, 2018	September 24, 2017
Net income	$ 1,812	$ 8,960
Interest expense, net	1,320	1,104
Provision for income taxes	2,824	3,196
Depreciation and amortization expense	5,948	5,417
EBITDA	11,904	18,677
Equity in loss (earnings) of PAL	17	(2,854)
EBITDA excluding PAL	11,921	15,823
Other adjustments (1)	—	—
Adjusted EBITDA	$ 11,921	$ 15,823

(1) For the current period and the prior period, no other adjustments were necessary to reconcile Net income to Adjusted EBITDA.

Amounts presented in the reconciliations above may not be consistent with amounts included in the accompanying condensed consolidated financial statements. Any such inconsistencies are insignificant and are integral to the reconciliations.

Adjusted Net Income and Adjusted EPS

For the current and the prior period, there were no adjustments necessary to reconcile Net income to Adjusted Net Income or Adjusted EPS. However, such adjustments may be presented in future periods when applicable.

Working Capital and Adjusted Working Capital

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

Review of Results of Operations

Three Months Ended September 30, 2018 Compared to Three Months Ended September 24, 2017

Consolidated Overview

The components of Net income, each component as a percentage of net sales and the percentage increase or decrease over the prior period amounts are as follows:

	For the Three Months Ended				
	September 30, 2018		September 24, 2017		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 181,611	100.0	$ 164,242	100.0	10.6
Cost of sales	161,592	89.0	140,950	85.8	14.6
Gross profit	20,019	11.0	23,292	14.2	(14.1)
Selling, general and administrative expenses	14,411	7.9	12,863	7.8	12.0
Provision (benefit) for bad debts	131	0.1	(59)	—	(322.0)
Other operating (income) expense, net	(240)	(0.1)	315	0.2	(176.2)
Operating income	5,717	3.1	10,173	6.2	(43.8)
Interest expense, net	1,320	0.7	1,104	0.7	19.6
Equity in earnings of unconsolidated affiliates	(239)	(0.2)	(3,087)	(1.9)	(92.3)
Income before income taxes	4,636	2.6	12,156	7.4	(61.9)
Provision for income taxes	2,824	1.6	3,196	1.9	(11.6)
Net income	$ 1,812	1.0	$ 8,960	5.5	(79.8)

Consolidated Net Sales

Consolidated net sales for the current period increased by $17,369, or 10.6%, as compared to the prior period. The additional week of sales in the current period contributed approximately $8,300, which was partially offset by unfavorable foreign currency translation of approximately $6,700.

Consolidated sales volumes increased 12.4%, attributable to continued growth in sales of Flake and recycled polyester Chip in the Polyester Segment, an additional fiscal week in the current period, and growth in sales of staple fiber and other PVA products in the International Segment. Sales continue to expand in the International Segment as our PVA portfolio resonates with numerous customers. We believe the softness in the domestic environment and competition from imports continues to be a challenge for the textile supply chain. Our Nylon Segment results also reflect the current global trend of declines in demand for nylon socks, ladies' hosiery and intimate apparel.

Consolidated average sales prices decreased 1.9%, as price increases made in response to rising costs over the past year were more than offset by disproportionate growth of lower-priced Flake and recycled polyester Chip.

PVA products at the end of the current period comprised approximately 43% of consolidated net sales, down from 45% at the end of fiscal 2018, but equal to the 43% ratio for the first quarter of fiscal 2018. Within the PVA product category, our customers can choose between various solutions, some of which carry higher margins than others. Accordingly, any growth in PVA sales does not necessarily translate into higher margins or increased profitability on a consolidated basis.

Unfavorable foreign currency translation is primarily associated with the weakening of the Brazilian Real ("BRL") and the Chinese Renminbi ("RMB").

Consolidated Gross Profit

Gross profit for the current period decreased by $3,273, or 14.1%, as compared to the prior period. The gross profit decline is primarily attributable to (i) lower conversion margin in the Polyester Segment, in which the current period was unfavorably impacted by increasing raw material costs, (ii) unfavorable foreign currency translation of approximately $1,500, (iii) disproportionate growth of lower margin products and (iv) integration costs associated with the recent dyed business acquisition.

UNIFI expects the second quarter of fiscal 2019 will be unfavorably impacted by the recent rise in raw material costs and lower polyester textured yarn production volumes. Additionally, integration costs associated with the dyed business acquisition are expected to subside during the second quarter of fiscal 2019.

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	$	12,863
Increase due to an additional week in fiscal 2019		841
Increase in compensation expenses		414
Other net increases		293
SG&A expenses for the current period	$	14,411

Total SG&A expenses were higher for the current period compared to the prior period, primarily as a result of an additional week in fiscal 2019 for our domestic operations and an increase in compensation expenses due to talent acquisition and higher incentive compensation expenses.

Consolidated Provision (Benefit) for Bad Debts

There is no significant activity reflected in the current period or the prior period.

Consolidated Other Operating (Income) Expense, Net

The change in other operating (income) expense, net was primarily attributable to fluctuations in the RMB, in which relative weakening in the current period generated foreign currency transaction gains, while relative strengthening in the prior period generated foreign currency transaction losses.

Consolidated Interest Expense, Net

Interest on debt obligations increased from the prior period to the current period primarily due to a general increase in market interest rates and principal on the variable portion of our debt.

	For the Three Months Ended			
	September 30, 2018		September 24, 2017	
Interest and fees on the ABL Facility	$	1,246	$	903
Other interest		193		229
Subtotal of interest on debt obligations		1,439		1,132
Other components of interest expense		28		53
Total interest expense		1,467		1,185
Interest income		(147)		(81)
Interest expense, net	$	1,320	$	1,104

Consolidated Earnings from Unconsolidated Affiliates

The components of earnings from unconsolidated affiliates are as follows:

	For the Three Months Ended			
	September 30, 2018		September 24, 2017	
Loss (earnings) from PAL	$	17	$	(2,854)
Earnings from nylon joint ventures		(256)		(233)
Total equity in earnings of unconsolidated affiliates	$	(239)	$	(3,087)
As a percentage of consolidated income before income taxes		5.2%		25.4%

UNIFI's 34% share of PAL's earnings decreased from earnings of $2,854 in the prior period to a loss of $17 in the current period. The decrease was primarily attributable to higher raw material costs and reduced operating leverage.

Consolidated Income Taxes

Consolidated income taxes is as follows:

	For the Three Months Ended			
	September 30, 2018		September 24, 2017	
Provision for income taxes	$	2,824	$	3,196
Effective tax rate		60.9%		26.3%

UNIFI's effective tax rate for the three months ended September 30, 2018 was higher than the U.S. federal statutory rate of 21% primarily due to earnings taxed at higher rates in foreign jurisdictions, losses in tax jurisdictions for which no tax benefit could be recognized, the effects of the GILTI provisions enacted in H.R. 1, and non-deductible executive compensation.

The effective tax rate for the three months ended September 24, 2017 was lower than the U.S. federal statutory rate of 35% primarily due to earnings taxed at lower rates in foreign jurisdictions and the benefits of increased research and development tax credits. These benefits were partially offset by losses in tax jurisdictions for which no tax benefit could be recognized and state and local income taxes.

Consolidated Net Income

Net income for the current period was $1,812, or $0.10 per diluted share, compared to $8,960, or $0.48 per diluted share, for the prior period. The decrease was primarily attributable to (i) higher operating expenses reducing gross profit, (ii) lower earnings from PAL, (iii) an increase in SG&A expenses and (iv) a higher effective tax rate, partially offset by comparatively favorable foreign currency transaction impacts.

Segment Overview

Following is a discussion and analysis of the revenue and profitability performance of UNIFI's reportable segments for the current period.

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				
	September 30, 2018		September 24, 2017		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 100,131	100.0	$ 87,738	100.0	14.1
Cost of sales	93,403	93.3	78,825	89.8	18.5
Gross profit	6,728	6.7	8,913	10.2	(24.5)
Depreciation expense	4,252	4.3	3,867	4.4	10.0
Segment Profit	$ 10,980	11.0	$ 12,780	14.6	(14.1)
Segment net sales as a percentage of consolidated amounts	55.1%		53.4%		
Segment Profit as a percentage of consolidated amounts	43.5%		45.4%		

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

Net sales for the prior period	$ 87,738
Increase due to an additional week of sales in fiscal 2019	6,622
Increase in sales volumes	3,485
Net change in average selling price and sales mix	2,286
Net sales for the current period	$ 100,131

The increase in net sales for the Polyester Segment from the prior period to the current period was primarily attributable to an additional week in fiscal 2019 that fell during the current period and higher sales of Flake, recycled polyester Chip, POY and dyed yarn, along with higher pricing in response to several months of raw material related price increases during fiscal 2018. However, pricing favorability was partially offset by the weaker sales mix.

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

Segment Profit for the prior period	$ 12,780
Net decrease in underlying margins	(2,475)
Increase in sales volumes	507
Increase due to an additional week of sales in fiscal 2019	168
Segment Profit for the current period	$ 10,980

The decrease in Segment Profit for the Polyester Segment from the prior period to the current period was primarily attributable to (i) lower conversion margin, in which the current period was unfavorably impacted by increasing raw material costs, (ii) the unfavorable sales mix shift towards lower-margin products discussed above in the net sales analysis and (iii) integration costs associated with the recent dyed business acquisition. The additional week of sales in fiscal 2019 did not provide a meaningful increase to Polyester Segment Profit due to the high raw material costs in effect during such week.

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				
	September 30, 2018		September 24, 2017		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 27,949	100.0	$ 26,827	100.0	4.2
Cost of sales	25,805	92.3	23,513	87.6	9.7
Gross profit	2,144	7.7	3,314	12.4	(35.3)
Depreciation expense	561	2.0	537	2.0	4.5
Segment Profit	$ 2,705	9.7	$ 3,851	14.4	(29.8)
Segment net sales as a percentage of consolidated amounts	15.4%		16.3%		
Segment Profit as a percentage of consolidated amounts	10.7%		13.7%		

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

Net sales for the prior period	$ 26,827
Increase due to an additional week of sales in fiscal 2019	1,646
Increase in sales volumes	955
Net change in average selling price and sales mix	(1,479)
Net sales for the current period	$ 27,949

The increase in net sales for the Nylon Segment from the prior period to the current period was primarily attributable to an additional week in fiscal 2019 that fell during the current period and higher sales volumes, partially offset by a lower-priced sales mix.

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

Segment Profit for the prior period	$ 3,851
Net decrease in underlying margins	(1,432)
Increase due to an additional week of sales in fiscal 2019	149
Increase in sales volumes	137
Segment Profit for the current period	$ 2,705

The decrease in Segment Profit for the Nylon Segment from the prior period to the current period was primarily attributable to a less profitable sales mix and higher raw material costs.

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				
	September 30, 2018		September 24, 2017		
		% of Net Sales		% of Net Sales	% Change
Net sales	$ 52,353	100.0	$ 48,659	100.0	7.6
Cost of sales	41,330	78.9	37,661	77.4	9.7
Gross profit	11,023	21.1	10,998	22.6	0.2
Depreciation expense	359	0.6	416	0.9	(13.7)
Segment Profit	$ 11,382	21.7	$ 11,414	23.5	(0.3)
Segment net sales as a percentage of consolidated amounts	28.8%		29.6%		
Segment Profit as a percentage of consolidated amounts	45.0%		40.5%		

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

Net sales for the prior period	$	48,659
Increase in sales volumes		5,630
Net change in average selling price and sales mix		4,717
Unfavorable foreign currency translation effects (RMB and BRL)		(6,653)
Net sales for the current period	$	52,353

The increase in net sales for the International Segment from the prior period to the current period was primarily attributable to (i) higher sales volumes at our Asian subsidiaries due to growth in our REPREVE® portfolios and (ii) higher pricing due to increased raw material costs, partially offset by (a) lower sales volumes in Brazil due to a weaker economic environment amid political volatility in that country and (b) unfavorable foreign currency translation as the BRL and the RMB weakened against the U.S. Dollar ("USD") during the current period.

The RMB weighted average exchange rate was 6.81 RMB/USD and 6.67 RMB/USD for the current period and the prior period, respectively. The BRL weighted average exchange rate was 3.96 BRL/USD and 3.16 BRL/USD for the current period and the prior period, respectively.

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

Segment Profit for the prior period	$	11,414
Unfavorable foreign currency translation effects (RMB and BRL)		(1,624)
Increase in sales volumes		1,301
Net increase in underlying margins		291
Segment Profit for the current period	$	11,382

The decrease in Segment Profit for the International Segment was primarily attributable to unfavorable foreign currency translation effects as the BRL and the RMB weakened against the USD during the current period, partially offset by overall higher sales volumes.

Liquidity and Capital Resources

UNIFI's primary capital requirements are for working capital, capital expenditures, debt service and stock repurchases. UNIFI's primary sources of capital are cash generated from operations and borrowings available under the ABL Revolver. For the current period, cash used in operations was $4,958, and, at September 30, 2018, excess availability under the ABL Revolver was $46,501. As further described under "Cash (Used in) Provided by Operating Activities" below, the cash used in operating activities for the current period is attributable to several factors, including an increase in inventories due to domestic production rates that outpaced domestic sales during the period.

As of September 30, 2018, all of UNIFI's $141,017 of debt obligations were guaranteed by certain of its domestic operating subsidiaries, while nearly all of UNIFI's cash and cash equivalents were held by its foreign subsidiaries. Cash and cash equivalents held by such foreign subsidiaries may not be presently available to fund UNIFI's domestic capital requirements, including its domestic debt obligations. UNIFI employs a variety of tax planning and financing strategies to ensure that its worldwide cash is available in the locations where it is needed. The following table presents a summary of cash and cash equivalents, borrowings available under financing arrangements, liquidity, working capital and total debt obligations as of September 30, 2018 for domestic and foreign operations:

	Domestic		Foreign		Total	
Cash and cash equivalents	$	18	$	42,177	$	42,195
Borrowings available under financing arrangements		46,501		—		46,501
Liquidity	$	46,519	$	42,177	$	88,696
Working capital	$	90,458	$	111,657	$	202,115
Total debt obligations	$	141,017	$	—	$	141,017

Debt Obligations

ABL Facility

On March 26, 2015, Unifi, Inc. and its subsidiary, Unifi Manufacturing, Inc. ("UMI"), entered into an Amended and Restated Credit Agreement (as subsequently amended, the "Amended Credit Agreement") for a $200,000 senior secured credit facility (the "ABL Facility") with a syndicate of lenders. The ABL Facility consists of a $100,000 revolving credit facility (the "ABL Revolver") and a term loan that can be reset up to a maximum amount of $100,000, once per fiscal year, if certain conditions are met (the "ABL Term Loan"). The ABL Facility has a maturity date of March 26, 2020.

The ABL Facility is secured by a first-priority perfected security interest in substantially all owned property and assets (together with all proceeds and products) of Unifi, Inc., UMI and certain subsidiary guarantors (collectively, the "Loan Parties"). It is also secured by a first-priority security interest in all (or 65% in the case of certain first-tier controlled foreign corporations, as required by the lenders) of the stock of (or other ownership interests in) each of the Loan Parties (other than Unifi, Inc.) and certain subsidiaries of the Loan Parties, together with all proceeds and products thereof.

If excess availability under the ABL Revolver falls below the defined Trigger Level, a financial covenant requiring the Loan Parties to maintain a fixed charge coverage ratio on a monthly basis of at least 1.05 to 1.00 becomes effective. The Trigger Level as of September 30, 2018 was $22,813. In addition, the ABL Facility contains restrictions on particular payments and investments, including certain restrictions on the payment of dividends and share repurchases. Subject to specific provisions, the ABL Term Loan may be prepaid at par, in whole or in part, at any time before the maturity date, at UNIFI's discretion.

ABL Facility borrowings bear interest at the London Interbank Offer Rate ("LIBOR") plus an applicable margin of 1.5% to 2.0%, or the Base Rate (as defined below) plus an applicable margin of 0.5% to 1.0%, with interest currently being paid on a monthly basis. The applicable margin is based on (i) the excess availability under the ABL Revolver and (ii) the consolidated leverage ratio, calculated as of the end of each fiscal quarter. The Base Rate means the greater of (a) the prime lending rate as publicly announced from time to time by Wells Fargo Bank, National Association, (b) the Federal Funds Rate plus 0.5% and (c) LIBOR plus 1.0%. UNIFI's ability to borrow under the ABL Revolver is limited to a borrowing base equal to specified percentages of eligible accounts receivable and inventory and is subject to certain conditions and limitations. There is also a monthly unused line fee under the ABL Revolver of 0.25%.

As of September 30, 2018, UNIFI was in compliance with all financial covenants in the Amended Credit Agreement and the excess availability under the ABL Revolver was $46,501. At September 30, 2018, the fixed charge coverage ratio was 0.43 to 1.00 and UNIFI had $400 of standby letters of credit, none of which have been drawn upon. Management believes it has the ability to quickly and easily improve the fixed charge coverage ratio utilizing existing cash and cash equivalents.

UNIFI currently maintains three interest rate swaps that fix LIBOR at approximately 1.9% on $75,000 of variable-rate debt. Such swaps are scheduled to terminate in May 2022.

Summary of Debt Obligations

The following table presents the total balances outstanding for UNIFI's debt obligations, their scheduled maturity dates and the weighted average interest rates for borrowings as well as the applicable current portion of long-term debt:

	Scheduled Maturity Date	Weighted Average Interest Rate as of September 30, 2018	Principal Amounts as of September 30, 2018	Principal Amounts as of June 24, 2018
ABL Revolver	March 2020	4.0%	$ 42,200	$ 28,100
ABL Term Loan (1)	March 2020	3.7%	82,500	85,000
Capital lease obligations	(2)	3.8%	16,317	18,107
Total debt			141,017	131,207
Current portion of capital lease obligations			(6,814)	(6,996)
Current portion of other long-term debt			(10,000)	(10,000)
Unamortized debt issuance costs			(570)	(658)
Total long-term debt			$ 123,633	$ 113,553

(1) Includes the effects of interest rate swaps.
(2) Scheduled maturity dates for capital lease obligations range from January 2019 to November 2027.

In addition to making payments in accordance with the scheduled maturities of debt required under its existing debt obligations, UNIFI 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 UNIFI's strategy, prevailing market conditions, liquidity requirements, contractual restrictions and other factors.

Scheduled Debt Maturities

The following table presents the scheduled maturities of UNIFI's outstanding debt obligations for the remainder of fiscal 2019, the following four fiscal years and thereafter:

	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Thereafter
ABL Revolver	$ —	$ 42,200	$ —	$ —	$ —	$ —
ABL Term Loan	7,500	75,000	—	—	—	—
Capital lease obligations	5,206	5,519	2,624	2,417	91	460
Total	$ 12,706	$ 122,719	$ 2,624	$ 2,417	$ 91	$ 460

Working Capital

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

	September 30, 2018	June 24, 2018
Cash and cash equivalents	$ 42,195	$ 44,890
Receivables, net	87,082	86,273
Inventories	131,961	126,311
Income tax receivable	5,522	10,291
Other current assets	15,658	6,529
Accounts payable	(46,139)	(48,970)
Accrued expenses	(14,214)	(17,720)
Other current liabilities	(19,950)	(18,313)
Working capital	$ 202,115	$ 189,291
Less: Cash and cash equivalents	(42,195)	(44,890)
Less: Income tax receivable	(5,522)	(10,291)
Less: Other current liabilities	19,950	18,313
Adjusted Working Capital	$ 174,348	$ 152,423

Working capital increased from $189,291 as of June 24, 2018 to $202,115 as of September 30, 2018, while Adjusted Working Capital increased from $152,423 to $174,348. Working capital and Adjusted Working Capital are within our range of expectations based on the composition of the underlying business and global structure.

The decrease in cash and cash equivalents was driven by the overall increase in working capital and unfavorable foreign currency translation. The increase in receivables, net was insignificant. The increase in inventories was attributable to (i) domestic finished goods production outpacing domestic sales, (ii) higher raw material costs and (iii) increased sales. The decrease in income tax receivable reflects the receipt of approximately $7,800 of refunds received in the current period. The increase in other current assets reflects the addition of contract assets that relate to products on hand that have been reflected in revenue but not yet shipped to the associated customer (in connection with the adoption of the New Revenue Recognition Guidance). The decrease in accounts payable was primarily attributable to the timing of purchase activity partially offset by higher raw material costs. The decrease in accrued expenses was primarily attributable to the payment of variable compensation earned in fiscal 2018. The increase in other current liabilities was insignificant.

Capital Projects

During the current period, UNIFI invested approximately $6,400 in capital projects primarily relating to (i) making further improvements in production capabilities and technology enhancements in the Americas and (ii) annual maintenance capital expenditures. UNIFI will seek to ensure that maintenance capital expenditures are sufficient to allow continued production at high efficiencies.

Through the remainder of fiscal 2019, UNIFI expects to invest an additional $18,600 in capital projects (for an aggregate fiscal 2019 estimate of $25,000), which include (i) making further improvements in production capabilities and technology enhancements in the Americas and (ii) routine annual maintenance capital expenditures to allow continued efficient production.

The total amount ultimately invested in fiscal 2019 could be more or less than the anticipated amount, depending on the timing and scale of contemplated initiatives and other factors, and is expected to be funded by a combination of cash from operations and borrowings under the ABL Revolver. UNIFI expects the recent capital projects to provide benefits to future profitability. The additional assets from these capital projects consist primarily of machinery and equipment.

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

Stock Repurchase Program

On April 23, 2014, UNIFI announced that the Board had approved the 2014 SRP under which UNIFI was authorized to acquire up to $50,000 of its common stock. UNIFI made no repurchases of its shares of common stock during the current period. As of September 30, 2018, UNIFI had repurchased a total of 806 shares, at an average price of $27.79 (for a total of $22,409, inclusive of commission costs) pursuant to the 2014 SRP. As of September 30, 2018, $27,603 remained available for repurchases under the 2014 SRP.

On October 31, 2018, UNIFI announced that the Board had terminated the 2014 SRP and approved the 2018 SRP under which UNIFI is authorized to acquire up to $50,000 of its common stock. Under the 2018 SRP, purchases will be made from time to time in the open market at prevailing market prices, through private transactions or block trades. The timing and amount of repurchases will depend on market conditions, share price, applicable legal requirements and other factors. The share repurchase authorization is discretionary and has no expiration date.

Liquidity Summary

UNIFI has met its historical liquidity requirements for working capital, capital expenditures, debt service requirements and other operating needs from its cash flows from operations and available borrowings. UNIFI believes that its existing cash balances, cash flows from operations and borrowings available under the ABL Revolver will enable UNIFI to comply with the terms of its indebtedness and meet its foreseeable liquidity requirements. Domestically, UNIFI's cash balances, cash provided by operating activities and borrowings available under the ABL Revolver continue to be sufficient to fund UNIFI's domestic operating activities as well as cash commitments for its investing and financing activities. For its existing foreign operations, UNIFI expects its existing cash balances and cash provided by operating activities will provide the needed liquidity to fund its foreign operating activities and any foreign investing activities, such as future capital expenditures. However, any expansion of our foreign operations may require cash sourced from our domestic subsidiaries.

Cash (Used in) Provided by Operating Activities

The significant components of net cash (used in) provided by operating activities are summarized below. UNIFI analyzes net cash (used in) provided by operating activities utilizing the major components of the statements of cash flows prepared under the indirect method.

	For the Three Months Ended	
	September 30, 2018	September 24, 2017
Net income	$ 1,812	$ 8,960
Equity in earnings of unconsolidated affiliates	(239)	(3,087)
Depreciation and amortization expense	6,036	5,510
Non-cash compensation expense	998	1,151
Deferred income taxes	909	918
Subtotal	9,516	13,452
Distributions received from unconsolidated affiliates	503	7,178
Inventories	(15,079)	(6,021)
Income taxes	6,591	(351)
Other changes in assets and liabilities	(6,489)	1,502
Net cash (used in) provided by operating activities	$ (4,958)	$ 15,760

The decrease in net cash (used in) provided by operating activities from the prior period to the current period was primarily due to (i) the significant increase in inventories and other current assets as shown and discussed above under "Working Capital," (ii) $7,174 less in dividends from PAL and (iii) lower Adjusted EBITDA, partially offset by tax refunds of approximately $7,800 received in the current period.

Cash Used in Investing Activities and Provided by (Used in) Financing Activities

UNIFI utilized $6,369 for investing activities and was provided $9,408 (net) from financing activities during the current period.

Investing activities include $6,384 for capital expenditures, primarily relating to ongoing maintenance capital expenditures and production capabilities and technology enhancements in the Americas.

Significant financing activities include $11,600 for net borrowings against long-term debt, partially offset by payments of $1,790 for capital lease obligations.

Contractual Obligations

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

There have been no material changes in the scheduled maturities of UNIFI'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 2018 Form 10-K.

Off-Balance Sheet Arrangements

UNIFI is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on UNIFI's financial condition, results of operations, liquidity or capital expenditures.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The SEC has defined a company's most critical accounting policies as those involving accounting estimates that require management to make assumptions about matters that are highly uncertain at the time and where different reasonable estimates or changes in the accounting estimates from quarter to quarter could materially impact the presentation of the financial statements. UNIFI's critical accounting policies are discussed in the 2018 Form 10-K. There were no material changes to these policies during the current period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

UNIFI is exposed to interest rate risk through its borrowing activities. As of September 30, 2018, UNIFI had borrowings under its ABL Revolver and ABL Term Loan that totaled $124,700 and contain variable rates of interest; however, UNIFI hedges a significant portion of such interest rate variability using interest rate swaps. After considering the variable rate debt obligations that have been hedged and UNIFI's outstanding debt obligations with fixed rates of interest, UNIFI's sensitivity analysis indicates that a 50-basis point increase in LIBOR as of September 30, 2018 would result in an increase in annual interest expense of less than $300.

Foreign Currency Exchange Rate Risk

UNIFI conducts its business in various foreign countries and in various foreign currencies. Each of UNIFI's subsidiaries may enter into transactions (sales, purchases, fixed purchase commitments, etc.) that are denominated in currencies other than the subsidiary's functional currency and thereby expose UNIFI to foreign currency exchange rate risk. UNIFI may enter into foreign currency forward contracts to hedge this exposure. UNIFI may also enter into foreign currency forward contracts to hedge its exposure for certain equipment or inventory purchase commitments. As of September 30, 2018, UNIFI had no outstanding foreign currency forward contracts.

A significant portion of raw materials purchased by UNIFI's Brazilian subsidiary are denominated in USDs, requiring UNIFI to regularly exchange BRL. A significant portion of sales and asset balances for our Asian subsidiaries are denominated in USDs. During recent fiscal years, UNIFI was negatively impacted by a devaluation of the BRL. Also, the RMB experienced fluctuations in value throughout fiscal 2018, which generated foreign currency translation losses in certain fiscal quarters. Discussion and analysis surrounding the impact of fluctuations of the BRL and the RMB on UNIFI's results of operations are included above in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."

As of September 30, 2018, UNIFI's subsidiaries outside the United States, whose functional currency is other than the USD, held approximately 15.1% of UNIFI's consolidated total assets. UNIFI does not enter into foreign currency derivatives to hedge its net investment in its foreign operations.

As of September 30, 2018, $39,155, or 92.8%, of UNIFI's cash and cash equivalents was held outside the United States, of which $35,037 was held in USDs, $1,775 was held in RMBs and $2,132 was held in BRLs.

Raw Material and Commodity Risks

A significant portion of UNIFI's raw material and energy costs are derived from petroleum-based chemicals. The prices for petroleum and petroleum-related products and energy costs are volatile and dependent on global supply and demand dynamics, including certain geo-political risks. A sudden rise in the price of petroleum and petroleum-based products could have a material impact on UNIFI's profitability. UNIFI does not use financial instruments to hedge its exposure to changes in these costs. The costs of the primary raw materials that UNIFI uses throughout all of its operations are generally based on USD pricing, and such materials are purchased at market or at fixed prices that are established with individual vendors as part of the purchasing process for quantities expected to be consumed in the ordinary course of business. UNIFI manages fluctuations in the cost of raw materials primarily by making corresponding adjustments to the prices charged to its customers. Certain customers are subject to an index-based pricing model in which UNIFI's prices are adjusted based on the change in the cost of raw materials in the prior quarter. Pricing adjustments for other customers must be negotiated independently. At times, UNIFI is unable to pass on to its customers rises in raw material costs and, when it can, there typically is a time lag that adversely affects UNIFI and its margins during one or more periods. In ordinary market conditions in which raw material price increases have stabilized and sales volumes are consistent with traditional levels, UNIFI has historically been successful in implementing price adjustments within one to two fiscal quarters of the raw material price increase for index priced customers and within two fiscal quarters of the raw material price increase for non-index priced customers.

During fiscal 2018, UNIFI experienced elevated polyester raw material costs in connection with heightened petroleum prices, and these costs continued to increase during the first quarter of fiscal 2019 due to a tighter global supply and increased demand for polyester feedstock. In combination with a difficult operating environment characterized by suppressed demand and lower textured yarn volumes in the domestic markets, where sufficient corresponding price increases were not achieved, these costs drove a decline in gross profit for the first quarter of fiscal 2019, and, if such costs continue to rise, further gross profit pressure can be expected.

Other Risks

UNIFI is also exposed to political risk, including changing laws and regulations governing international trade, such as quotas, tariffs and tax laws. The degree of impact and the frequency of these events cannot be predicted.

Item 4. Controls and Procedures

As of September 30, 2018, an evaluation of the effectiveness of UNIFI's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was performed under the supervision and with the participation of UNIFI's management, including the principal executive officer and the principal financial officer. Based on that evaluation, UNIFI's principal executive officer and principal financial officer concluded that UNIFI's disclosure controls and procedures are effective to ensure that information required to be disclosed by UNIFI in its reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that information required to be disclosed by UNIFI in the reports UNIFI files or submits under the Exchange Act is accumulated and communicated to UNIFI's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in UNIFI's internal control over financial reporting during the three months ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, UNIFI's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes in our risk factors from those included in "Item 1A. Risk Factors" in the 2018 Form 10-K, except as noted below:

We may be subject to greater tax liabilities.

UNIFI is subject to income tax and other taxes in the United States and in numerous foreign jurisdictions. UNIFI's domestic and foreign income tax liabilities are dependent on the jurisdictions in which profits are determined to be earned and taxed. Additionally, the amount of taxes paid is subject to UNIFI's interpretation of applicable tax laws in the jurisdictions in which we operate. Changes in tax laws, or in judicial or administrative interpretations of tax laws, could have an adverse effect on UNIFI's business, financial condition, operating results and cash flows. Significant judgment, knowledge and experience are required in determining our worldwide provision for income taxes. UNIFI's future effective tax rate is impacted by a number of factors including our interpretation of H.R. 1 and any pending regulations and interpretive guidance to be released.

UNIFI anticipates that the U.S. Treasury Department, the IRS and other standard-setting bodies will continue to issue regulations and interpretive guidance on how the provisions of H.R. 1 will be applied or otherwise administered, and additional regulations or interpretive guidance may be issued in the future that is different from UNIFI's current interpretation. As regulations and guidance evolve with respect to H.R. 1, and as UNIFI gathers more information and performs additional analysis, UNIFI's results may differ from previous estimates.

H.R. 1 will significantly impact how U.S. multinational corporations like UNIFI are taxed on foreign earnings, which are now deemed to be repatriated. These changes resulted in a higher effective tax rate for UNIFI for the three months ended September 30, 2018. Numerous countries are evaluating their existing tax laws due, in part, to recommendations made by the Organization for Economic Co-operation and Development's Base Erosion and Profit Shifting project and in response to the changes in U.S. tax laws. Although UNIFI cannot predict whether, or in what form, any legislation based on such proposals may be adopted by the countries in which we do business, future tax reform based on such proposals may increase the amount of taxes UNIFI pays and may also adversely affect our operating results and cash flows.

Item 6. **Exhibits**

Exhibit No.	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*	Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed November 1, 2018 (File No. 001-10542)).
10.2+*	Form of Vested Share Unit Agreement for Non-Employee Directors for use in connection with the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan.
10.3+*	Form of Restricted Stock Unit Agreement for Employees for use in connection with the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan.
10.4+*	Form of Incentive Stock Option Agreement for Employees for use in connection with the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan.
10.5*	Employment Agreement by and between Unifi, Inc. and Thomas H. Caudle, Jr., effective as of September 5, 2018 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed September 7, 2018 (File No. 001-10542)).
10.6**	Addendum and Extension to Yarn Purchase Agreement, effective as of June 30, 2018, by and between Unifi Manufacturing, Inc. and Hanesbrands Inc. (incorporated by reference to Exhibit 10.33 to the Annual Report on Form 10-K for the fiscal year ended June 24, 2018 (File No. 001-10542)).
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 quarter ended September 30, 2018, filed November 8, 2018, 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 (Loss) 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.
** Confidential treatment has been granted for certain portions of this exhibit which are omitted in the copy of the exhibit electronically filed with the SEC.

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: November 8, 2018

By: /s/ JEFFREY C. ACKERMAN
Jeffrey C. Ackerman
Executive Vice President & Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

Exhibit 10.2

VESTED SHARE UNIT AGREEMENT

This Vested Share Unit Agreement (this "***Agreement***"), dated as of the Grant Date, is made by and between the "***Grantee***" (as set forth in Annex A) and Unifi, Inc. (the "***Company***").

W I T N E S S E T H:

WHEREAS, the Company has adopted the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan (the "***Plan***"); and

WHEREAS, the Board of Directors of the Company (the "***Board***") has determined that it is desirable and in the best interests of the Company to grant to the Grantee, as an incentive for the Grantee to advance the interests of the Company, Vested Share Units ("***Units***"), which shall be converted into an equivalent number of shares of Company Stock and such shares distributed to the Grantee in a single lump sum distribution within 30 days following Grantee's Separation from Service (as defined below).

NOW, THEREFORE, the parties agree as follows:

1. Notice of Grant; Incorporation of Plan. Pursuant to the Plan and subject to the terms and conditions set forth herein and therein, the Company hereby grants to the Grantee the number of Units indicated on the Notice of Grant attached hereto as Annex A, which Notice of Grant is incorporated by reference herein. 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 14 of the Plan. Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings ascribed to them in the Plan.

2. Terms of Stock Units. The Units granted under this Agreement are subject to the following terms, conditions and restrictions:

(a) No Ownership. The Grantee shall not possess any incidents of ownership (including, without limitation, dividend and voting rights) in shares of the Company Stock in respect of the Units until such Units have been converted into shares of Company Stock and such shares have been distributed to the Grantee.

(b) Transfer of Units. The Units and any interest therein may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution and subject to the conditions set forth in the Plan and this Agreement. Any attempt to transfer Units in contravention of this section is void ab initio. Units shall not be subject to execution, attachment or other process.

(c) Vesting and Conversion of Units. The Grantee shall be fully vested in the Units as of the Grant Date. The vested Units shall be converted into an equivalent number of shares of Stock, or a combination of Stock and cash, as may be elected, and such shares of Company Stock will be distributed to the Grantee in a single lump sum distribution within 30 days following Grantee's Separation from Service (as defined below). Upon distribution of the shares of Company Stock in respect of the Units, the Company shall (i) issue to the Grantee or the Grantee's personal representative a stock certificate representing such shares of Company Stock, or (ii) cause such number of shares to be registered in the name of the Grantee or the Grantee's personal representative via a share registry process in a manner that is effective to constitute the uncertificated delivery thereof, in either case free of any restrictions.

(d) Separation from Service. "***Separation from Service***" means termination of services as a member of the Board for any reason, and shall be determined in accordance with applicable standards established pursuant to Section 409A of the Code and corresponding Treasury Regulations.

3. Equitable Adjustment. The aggregate number of shares of Stock subject to the Units shall be proportionately adjusted for any increase or decrease in the number of issued shares of Stock resulting from a subdivision or consolidation of shares or other capital adjustment, or the payment of a stock dividend or other increase or decrease in such shares, effected without the receipt of consideration by the Company, or other change in corporate or capital structure. The Committee shall also make the foregoing changes and any other changes, including changes in the classes of securities available, to the extent reasonably necessary or desirable to preserve the intended benefits under this Agreement in the event of any other reorganization, recapitalization, merger, consolidation, spin-off, extraordinary dividend or other distribution or similar transaction involving the Company.

4. Taxes. Distributions with respect to Units may be subject to Applicable Withholding Taxes as provided in the Plan.

5. No Right to Continued Service as Director. Nothing contained herein shall be deemed to confer upon the Grantee any right to continue to serve as a member of the Board.

6. Miscellaneous.

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

(b) 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 rendered 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, including without limitation, reasonable attorneys' fees of the Grantee, shall be borne by the Company in the event the Grantee 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 Grantee for Federal tax purposes, then the amount of any such costs reimbursed to the Grantee in one taxable year shall not affect the amount of such costs reimbursable to the Grantee in any other taxable year, the Grantee's right to reimbursement of any such costs shall not be subject to liquidation or exchange for any other benefit, and the reimbursement of any such costs incurred by the Grantee shall be made as soon as administratively practicable, but in any event within ten (10) days, after the date the Grantee is determined to be the prevailing party in the arbitration. The Grantee shall be responsible for submitting claims for reimbursement in a timely manner to enable payment within the timeframe provided herein.

(c) Notices. Any notice required or permitted under this Agreement shall be deemed given when delivered personally, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, (i) to the Grantee at the last address specified in Grantee's records with the Company, or such other address as the Grantee may designate in writing to the Company, or (ii) to the Company, Attention: General Counsel, or such other address as the Company may designate in writing to the Grantee.

(d) 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.

(e) 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.

(f) 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.

7. Section 409A.

(a) It is intended that this Agreement comply in all respects with the requirements of Section 409A of the Code and applicable Treasury Regulations and other generally applicable guidance issued thereunder (collectively, "***Section 409A***"), and this Agreement shall be interpreted for all purposes in accordance with this intent.

(b) Notwithstanding any other term or provision of this Agreement (including any term or provision of the Plan incorporated herein by reference), the parties hereto agree that, from time to time, the Company may, without prior notice to or consent of the Grantee, amend this Agreement to the extent determined by the Company, in the exercise of its discretion in good faith, to be necessary or advisable to prevent the inclusion in the Grantee's gross income pursuant to Section 409A of any compensation intended to be deferred hereunder. The Company shall notify the Grantee as soon as reasonably practicable of any such amendment affecting the Grantee.

(c) If the amounts payable under this Agreement are subject to any taxes, penalties or interest under Section 409A, the Grantee shall be solely liable for the payment of any such taxes, penalties or interest.

(d) Except as otherwise specifically provided herein, the time and method for distribution of shares of Company Stock in respect of the Units as provided in Section 2, shall not be accelerated or delayed for any reason, unless to the extent necessary to comply with, or as may be permitted under, Section 409A.

IN WITNESS WHEREOF, the parties hereby agree to the terms of this Vested Share Unit Agreement, including the Notice of Grant attached hereto as Annex A.

____
Grantee: ____________________

UNIFI, INC.

By: ____________________
Name: ____________________
Title: ____________________

Annex A

NOTICE OF GRANT
OF
VESTED SHARE UNITS

The following member of the Board of Directors of Unifi, Inc. has been granted Vested Share Units pursuant to the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan, with terms as set forth in this Notice of Grant and the Vested Share Unit Agreement to which this Notice of Grant is attached.

The terms below shall have the following meanings when used in the Vested Share Unit Agreement.

Grantee	
Address of Grantee	
Grant Date	
Aggregate Number of Vested Share Units Granted:	

RESTRICTED STOCK UNIT AGREEMENT

This Restricted Stock Unit Agreement (this "***Agreement***") is made by and between Unifi, Inc., a New York corporation (the "***Company***"), and______________, a key employee (the "***Grantee***") of the Company.

WITNESSETH:

WHEREAS, the Company has adopted the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan (the "***Plan***"), which became effective on October 24, 2018; 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 Grantee Restricted Stock Units ("***RSUs***") as an incentive for the Grantee 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 14 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 RSU; Notice of Grant. Pursuant to the Plan and subject to the terms and conditions set forth herein and therein, the Company has granted to the "***Grantee***," and effective as of the "***Grant Date***," a certain number of RSUs, all as set forth on the Notice of Grant attached hereto as Annex A, which Notice of Grant is incorporated by reference herein.

Section 3. Terms of Restricted Stock Units. The RSUs granted under this Agreement are subject to the following terms, conditions and restrictions:

(a) No Ownership. The Grantee shall not possess any incidents of ownership (including, without limitation, dividend and voting rights) in shares of the Company Stock in respect of the RSUs until such RSUs have been converted into shares of Company Stock and such shares have been distributed to the Grantee in the form of shares of Company Stock.

(b) Transfer of RSUs. Except as provided in this Section 3(b), the RSUs and any interest therein may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution and subject to the conditions set forth in the Plan and this Agreement. Any attempt to transfer RSUs in contravention of this Section is void ab initio. RSUs shall not be subject to execution, attachment or other process.

(c) Vesting and Conversion of RSUs. If the Grantee remains in the continuous employment of the Company from the Date of Grant through the applicable "***Vesting Date***" listed below, the last of which is the "***Final Vesting Date***", the corresponding percentage of the total number of RSUs awarded under this Agreement will become fully vested.

Vesting Date	Percentage of RSUs Vested
[Date that is 31 days following the first anniversary of the Date of Grant]	25%
[Date that is the second anniversary of the Date of Grant]	25%
[Date that is the third anniversary of the Date of Grant]	50%

There shall be no vesting of the RSUs to result in a fraction under this vesting schedule. If the vesting schedule would otherwise result in a fractional RSU, such RSU 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 vested RSUs is rounded up on any Vesting Date prior to the Final Vesting Date, the number of RSUs in which the Grantee becomes vested on the Final Vesting Date shall be adjusted so that the total number of vested RSUs equals the number of RSUs set forth in the Notice of Grant. For example, if the Grantee was awarded 750 RSUs under this Agreement, the Grantee would become vested in 188, 188 and 374 RSUs on the respective Vesting Dates listed above.

On each Vesting Date, the vested RSUs shall be converted into an equivalent number of shares of Company Stock, and all such shares of Company Stock will be distributed to the Grantee within 30 days following the applicable Vesting Date, subject to the following possible deferral election by the Grantee. The Grantee may irrevocably elect, on or before the "***Deferral Election Date***" indicated on Annex A, to instead receive distributions of shares of Company Stock upon the Grantee's "separation from service" (as such term is defined in Section 409A and described in Section 7, a "***Separation from Service***"), in either a single distribution or substantially equal annual distributions over a period of up to five years following the Grantee's Separation from Service. Such an election must be made by completing and submitting to the Company a Deferral Election Form in substantially the form included as part of Annex B hereto.

Upon any distribution of shares of Company Stock in respect of the RSUs, the Company shall (i) issue (or make available via electronic means) to the Grantee or the Grantee's personal representative a stock certificate representing such shares of Company Stock, or (ii) cause such number of shares to be registered in the name of the Grantee or the Grantee's personal representative via a book-entry or other share registry process that is effective to constitute the uncertificated delivery thereof, in either case free of any restrictions.

(d) Additional Vesting Provisions.

(i) If, prior to the Final Vesting Date, the Grantee dies or has a Separation from Service as a result of Disability, all RSUs shall become fully vested, converted into an equivalent number of shares of Company Stock and distributed to the Grantee in a single distribution within 30 days following the Grantee's death or such Separation from Service, as the case may be, in either case without regard to any distribution deferral election.

(ii) If, after the Grantee attains age 65 but prior to the Final Vesting Date, the Grantee has a Separation from Service due to an involuntary termination by the Company without Cause (as defined below), all remaining unvested RSUs shall become fully vested, and all RSUs shall be converted into an equivalent number of shares of Company Stock and distributed to the Grantee in a single distribution within 30 days following such Separation from Service, without regard to any distribution deferral election.

(iii) If, prior to the Final Vesting Date, Grantee has a Separation from Service for any reason not covered in Section 3(d)(i) or Section 3(d)(ii) above, then the Grantee shall forfeit any unvested RSUs and shall not be entitled to receive any shares of Company Stock under this Agreement with respect to such forfeited RSUs.

(iv) Notwithstanding the foregoing, the Grantee shall immediately forfeit all RSUs (whether or not vested) and any underlying shares of Company Stock for which distribution has been deferred pursuant to Section 3(c) upon the Grantee's Separation from Service for Cause, whether before or after the Final Vesting Date.

(v) In the event of a Change in Control (as defined in the Plan), all RSUs shall become fully vested, be converted into shares of Company Stock and be immediately distributed to the Grantee in a single distribution within 30 days following the Change in Control, without regard to any distribution deferral election.

(vi) For purposes of this Agreement, **"Cause"** means any of the following, as determined in good faith by the Committee: (A) an act of embezzlement, theft or misappropriation by the Grantee of any property of the Company or any Related Company; (B) any breach by the Grantee of any material provision of any material agreement to which the Grantee 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 Grantee describing such breach; (C) gross negligence by the Grantee 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); (D) any act by the Grantee constituting a felony or a crime that otherwise involves dishonesty or misrepresentation; (E) the Grantee'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 (F) any chemical or alcohol dependence by the Grantee that materially and adversely affects the performance of his or her duties or responsibilities to the Company or any Related Company.

Section 4. Equitable Adjustment. The aggregate number of shares of Company Stock subject to the RSUs shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of Company Stock resulting from a subdivision or consolidation of shares or other capital adjustment, or the payment of a stock dividend or other increase or decrease in such shares, effected without the receipt of consideration by the Company, or other change in corporate or capital structure. The Committee shall make the foregoing changes and any other changes, including changes in the classes of securities available, to the extent reasonably necessary or desirable to preserve the intended benefits under this Agreement in the event of any other reorganization, recapitalization, merger, consolidation, spin-off, extraordinary dividend or other distribution or similar transaction involving the Company.

Section 5. Taxes. The Grantee, upon the distribution of the RSUs, shall pay to the Company in cash the amount of any Applicable Withholding Taxes as provided in the Plan. Notwithstanding the foregoing, the Grantee may satisfy the Applicable Withholding Taxes in whole or in part, by electing (a) to deliver to the Company shares of Company Stock owned by the Grantee at the time of the distribution, (b) to have the Company withhold a portion of the RSUs to which the Grantee 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 Grantee shall have a value equal to their Fair Market Value on the day the RSUs are distributed, as provided in the Plan.

Section 6. No Right to Continued Employment. Nothing contained herein shall be deemed to confer upon the Grantee any right to continue in the employment of the Company.

Section 7. Section 409A.

(a) It is intended that this Agreement comply in all respects with the requirements of Section 409A of the Code and applicable Treasury Regulations and other generally applicable guidance issued thereunder (collectively, "***Section 409A***"), and this Agreement shall be interpreted for all purposes in accordance with this intent.

(b) Notwithstanding any other term or provision of this Agreement (including any term or provision of the Plan incorporated herein by reference), the parties hereto agree that, from time to time, the Company may, without prior notice to or consent of the Grantee, amend this Agreement to the extent determined by the Company, in the exercise of its discretion in good faith, to be necessary or advisable to prevent the inclusion in the Grantee's gross income pursuant to the applicable Treasury Regulations of any compensation intended to be deferred hereunder. The Company shall notify the Grantee as soon as reasonably practicable of any such amendment affecting the Grantee.

(c) If the amounts payable under this Agreement are subject to any taxes, penalties or interest under Section 409A, the Grantee shall be solely liable for the payment of any such taxes, penalties or interest.

(d) Except as otherwise specifically provided herein, the time and method for payment of the RSUs as provided in Section 3 and the Deferral Election Form shall not be accelerated or delayed for any reason, unless to the extent necessary to comply with, or as may be permitted under, Section 409A.

(e) If the Grantee is deemed on the date of a Separation from Service to be a "specified employee" (within the meaning of that term under Section 409A(a)(2)(B) of the Code and determined using any identification methodology and procedure selected by the Company from time to time, or the default methodology and procedure specified under Code Section 409A, if none has been selected by the Company), then with regard to any payment or the provision of any benefit that is "nonqualified deferred compensation" within the meaning of Section 409A and that is paid as a result of the Grantee's Separation from Service, such payment or benefit shall not be made or provided prior to the date that is the earlier of (i) the expiration of the six (6)-month period measured from the date of such Separation from Service of the Grantee, and (ii) the date of the Grantee's death (the "***Delay Period***"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this provision (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Grantee in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. For purposes of Section 409A, a distribution of shares of Company Stock following conversion of an RSU shall constitute a "payment" thereof.

Section 8. Recoupment of RSUs/Shares of Stock. Notwithstanding any provision in the Plan or this Agreement to the contrary, all RSUs and underlying shares of Company Stock awarded pursuant to this Agreement 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 9. 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 Grantee under this Agreement that are not distributed at the time of the Grantee'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 Grantee in writing filed with the Company in such form and at such time as the Committee shall require. If a deceased Grantee failed to designate a beneficiary, or if the designated beneficiary of the deceased Grantee dies before the Grantee 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 Grantee and any designated beneficiary.

(b) Amendments by the Committee. The Committee may, at any time prior to the Final Vesting Date, amend this Agreement, provided that no amendment may, in the absence of written consent by the Grantee, adversely affect the rights of the Grantee under this Agreement 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 Grantee, including, without limitation, reasonable attorneys' fees of the Grantee, shall be borne by the Company if the Grantee 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 Grantee for Federal tax purposes, then (i) the amount of any such costs reimbursed to the Grantee in one taxable year shall not affect the amount of such costs reimbursable to the Grantee in any other taxable year, (ii) the Grantee'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 Grantee shall be made as soon as administratively practicable, but in any event within ten (10) days, after the date the Grantee is determined to be the prevailing party in the arbitration. The Grantee 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) 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, then on the next business day after delivery to the courier service or U.S. Mail (in time for and specifying next day delivery). In each case (except for personal delivery), any such notice or other communication shall be sent, as appropriate, (v) to the Grantee at the last address or facsimile number specified in the Grantee's records with the Company, or such other address or facsimile number as the Grantee may designate in writing to the Company, or (vi) 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 Grantee.

(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.

[Signatures Follow on Next Page]

IN WITNESS WHEREOF, the parties have executed this Agreement, including the Notice of Grant attached hereto as Annex A, effective as of the Grant Date set forth on Annex A.

____
Grantee: ______________________

UNIFI, INC.

By: ______________________
Name: ______________________
Title: ______________________

Annex A

NOTICE OF GRANT OF RESTRICTED STOCK UNITS

The following employee of Unifi, Inc. has been granted Restricted Stock Units pursuant to the Unifi, Inc. Amended and Restated 2013 Incentive Compensation Plan in accordance with terms as set forth in this Notice of Grant and the Restricted Stock Unit Agreement to which this Notice of Grant is attached.

The terms below shall have the following meanings when used in the Restricted Stock Unit Agreement.

Grantee	[______________]
Address of Grantee	7201 W. Friendly Avenue Greensboro, NC 27410
Grant Date	[________________]
Deferral Election Date	[______________]
Aggregate Number of RSUs Granted	[______]

Annex B

DEFERRAL ELECTION FORM AND INSTRUCTIONS

*** * * INSTRUCTIONS * * ***

You have been granted Restricted Stock Units ("***RSUs***") pursuant to the Restricted Stock Unit Award Agreement to which this Annex B is attached as a part thereof (the "***Agreement***"). Unless otherwise defined herein or in the attached Deferral Election Form, capitalized terms have the meanings given them in the Agreement, which also includes Annex A attached thereto.

Payment of RSUs is made in shares of Company Stock after the vesting of the RSUs as described in the Agreement. You are taxed at ordinary income rates on the value of the shares of Company Stock at the time of such payment, which is the time that shares are distributed to you pursuant to the Agreement. Following such a distribution, you can sell some or all the shares at any time, subject to any applicable securities law restrictions. Or, in connection with a distribution, you can choose to have the Company withhold an appropriate number of the shares to satisfy your tax obligation.

As a general rule, your vested RSUs under the Agreement will be converted to shares of Company Stock that will be distributed to you in a single distribution within 30 days following the applicable Vesting Date. However, under Section 3(c) of the Agreement, you may elect instead to defer receipt of such shares of Company Stock until your Separation from Service, and then have the shares distributed to you in either a single distribution or substantially equal annual distributions over a period of up to five years following your Separation from Service. Such an election must be made by completing and submitting to the Company the attached Deferral Election Form on or before the Deferral Election Date.

However, if you become vested in your RSUs prior to a Vesting Date due to certain Separation from Service events as described in Section 3(d) of this Agreement or a Change in Control of the Company, you will receive your shares of Company Stock in a single distribution within 30 days following the date of such event, regardless of any deferral election that you may have made.

There may be advantages and disadvantages to making a deferral election, depending on your individual situation and future events, including future tax rates. You should consider your particular tax and financial situation before making a deferral election. You are encouraged to consult your personal tax or financial planning advisor in making a decision.

FOR A DEFERRAL ELECTION TO BE EFFECTIVE,
YOU MUST COMPLETE AND RETURN THE ATTACHED FORM
NO LATER THAN THE DEFERRAL ELECTION DATE
TO THE OFFICE OF THE GENERAL COUNSEL

UNIFI, INC. RESTRICTED STOCK UNITS

DEFERRAL ELECTION FORM

Name of Grantee: [___________________]

All capitalized terms not defined herein have the meanings assigned to them in your [_________], 2[__] Restricted Stock Unit Agreement. ***Please check and initial the <u>one</u> option being elected.***

<u>DO NOT DEFER DISTRIBUTION:</u>

___________ I hereby elect to receive my shares of Company Stock in a single distribution within 30 days following the applicable Vesting Date.

<u>TO DEFER DISTRIBUTION:</u>

I hereby elect to receive distribution of my shares of Company Stock pursuant to my [_________], 20[__] Restricted Stock Unit Agreement, in payment of my vested RSUs thereunder, as follows:

___________ single distribution within 30 days following the date of my Separation from Service

<u>OR</u>

___________ ____ (***<u>maximum of 5</u>***) equal annual installment distributions, commencing within 30 days following my Separation from Service for the first installment and with each subsequent distribution on the respective anniversary dates of my Separation from Service.

I understand and acknowledge that:

- If I become vested in all or a portion of my RSUs prior to the applicable Vesting Date due to certain events as described in <u>Section 3(d)</u> of my Restricted Stock Units Agreement or a Change in Control of the Company, my shares of Company Stock will be distributed to me in a single distribution within 30 days following the date of such event.
- ***If at any time I have a Separation from Service for Cause, I will forfeit all RSUs (whether or not vested) and all underlying shares of Company Stock that have not been distributed to me, including those deferred under this Deferral Election Form.***
- My deferrals will be subject to all requirements of Section 409A of the Internal Revenue Code and provisions of the Plan as amended to comply with Section 409A.

I understand that this election is irrevocable. I also understand that I am making this election in accordance with the terms of the Plan and that the terms of the Plan will be used to resolve any ambiguity or inconsistency that may arise in connection with this election.

Signature of Grantee	Date

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. Amended and Restated 2013 Incentive Compensation Plan (the "***Plan***"), which became effective on October 24, 2018; 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. <u>Incorporation of Plan</u>. 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 14 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. <u>Grant of Option; Exercise Price; Expiration Date</u>. 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	25%
Two-Year Anniversary	25%
Three-Year Anniversary	50%

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 99 Option Shares under this Agreement, the Optionee would become vested with respect to 25, 25 and 49 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), (iii) an irrevocable direction to the Company to pay all or a portion of the Option Price by withholding a portion of the Option Shares which the Optionee would otherwise be entitled to receive, or (iv) 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)

Exhibit 31.1

CERTIFICATION

I, Kevin D. Hall, 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: November 8, 2018

/s/ KEVIN D. HALL
Kevin D. Hall
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Jeffrey C. Ackerman, 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: November 8, 2018

/s/ JEFFREY C. ACKERMAN
Jeffrey C. Ackerman
Executive Vice President & 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 September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kevin D. Hall, Chairman of the Board and Chief Executive 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: November 8, 2018

/s/ KEVIN D. HALL
Kevin D. Hall
Chairman of the Board and Chief Executive Officer
(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 September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey C. Ackerman, Executive Vice President & 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:November 8, 2018

/s/ JEFFREY C. ACKERMAN
Jeffrey C. Ackerman
Executive Vice President & Chief Financial Officer
(Principal Financial Officer)