UNIFI INC
Form 10-K
September 10, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2013

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____to_____

Commission file number 1-10542

UNIFI, INC.

(Exact name of registrant as specified in its charter)

New York	**11-2165495**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
P.O. Box 19109 – 7201 West Friendly Avenue **Greensboro, NC** *(Address of principal executive offices)*	**27419-9109** *(Zip Code)*

Registrant's telephone number, including area code:

(336) 294-4410

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

Title of each class	Name of each exchange on which registered
Common Stock	New York Stock Exchange

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

None

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

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

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 [X] No [ ]

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]	Accelerated filer [X]	Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

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

As of December 23, 2012, the aggregate market value of the registrant’s voting common stock held by non-affiliates of the registrant was $223,746,607. The registrant has no non-voting stock.

As of September 3, 2013, the number of shares of the registrant’s common stock outstanding was 19,512,949.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement to be filed with the Securities and Exchange Commission (the “SEC”) in connection with the solicitation of proxies for the Annual Meeting of Shareholders of Unifi, Inc., to be held on October 23, 2013, are incorporated by reference into Part III. (With the exception of those portions which are specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed or incorporated by reference as part of this report.)

UNIFI, INC.

ANNUAL REPORT ON FORM 10-K

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FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that relate to our plans, objectives, estimates and goals. Statements expressing expectations regarding our future, or projections or estimates relating to products, sales, revenues, expenditures, costs or earnings, are typical of such statements and are made under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management’s beliefs, assumptions and expectations about our future economic performance, considering the information currently available to management. The words “believe,” “may,” “could,” “will,” “should,” “would
“anticipate,” “estimate,” “expect,” “intend,” “objective,” “seek,” “strive,” and words of similar import, or the negative of such
identify or signal the presence of forward-looking statements. These statements are not statements of historical fact; they involve risk 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 these differences include, but are not limited to:

the competitive nature of the textile industry and the impact of worldwide 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, such as recession and other economic and political factors over which the Company has no control;

changes in consumer spending, customer preferences, fashion trends and end-uses;

the financial condition of the Company’s customers;

the loss of a significant customer;

the success of the Company’s strategic business initiatives;

the continuity of the Company’s leadership;

volatility of financial and credit markets;

- the ability to service indebtedness and fund capital expenditures and strategic initiatives;
- availability of and access to credit on reasonable terms;
- changes in currency exchange rates, interest and inflation rates;
- the ability to reduce production costs;
- the ability to protect intellectual property;
- employee relations;
- the impact of environmental, health and safety regulations;
- the operating performance of joint ventures and other equity investments;
- the accurate financial reporting of information from equity method investees; and
- other factors discussed below in “Item 1A. Risk Factors” or the Company’s other periodic reports and information filed with the Securities and Exchange Commission (the “SEC”).

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.

We caution you that forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to differ materially from the facts, results, performance or achievements we have anticipated in such forward-looking statements.

PART I

Fiscal Years

The Company's fiscal year ends on the last Sunday in June which was June 30th for fiscal year 2013. The Company's Brazilian, Colombian and Chinese subsidiaries' report on a calendar period basis with their fiscal years ending on June 30th. For fiscal years 2012 and 2011, the Company's fiscal years ended on June 24, 2012 and June 26, 2011, respectively, and there were no significant transactions or events that occurred between the Company's fiscal year end and its subsidiaries' fiscal year ends for these periods. The Company's fiscal year 2013 consists of 53 weeks, while fiscal years 2012 and 2011 each consisted of 52 weeks.

Presentation

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

Item 1. BUSINESS

Unifi, Inc., a New York corporation formed in 1969 (together with its subsidiaries, "we", the "Company" or "Unifi"), is a multi-national manufacturing company that processes and sells high-volume commodity yarns, specialized yarns designed to meet certain customer specifications, and premier value-added ("PVA") yarns with enhanced performance characteristics. The Company sells yarns made from polyester and nylon to other yarn manufacturers and knitters and weavers that produce fabric for the apparel, hosiery, sock, home furnishings, automotive upholstery, industrial and other end-use markets. The Company's polyester products include polyester polymer beads ("Chip"), partially oriented yarn (“POY”), textured, solution and package dyed, twisted and beamed yarns; each is available in virgin or recycled varieties (made from both pre-consumer yarn waste and post-consumer waste, including plastic bottles). The Company’s nylon products include textured, solution dyed and covered spandex products.

The Company maintains one of the textile industry’s most comprehensive yarn product offerings, and it has ten manufacturing operations in four countries and participates in joint ventures in Israel and the United States (“U.S.”). The Company’s principal geographic markets for its products are located in the U.S., Canada, Mexico, Central America and South America. In addition, the Company has a wholly-owned subsidiary in the People’s Republic of China (“China”) focused on the sale and promotion of the Company’s PVA and other specialty products in the Asian textile market, primarily in China, as well as into the European market.

The Company has three operating segments, which are also its reportable segments. These segments derive revenues as follows:

The Polyester Segment manufactures Chip, POY, textured, dyed, twisted and beamed yarns, both virgin and recycled, with sales primarily to other yarn manufacturers and knitters and weavers that produce yarn and/or fabric for the apparel, hosiery, automotive upholstery, home furnishings, industrial and other end-use markets. The Polyester Segment consists of sales and manufacturing operations in the U.S. and El Salvador.

The Nylon Segment manufactures textured nylon and covered spandex yarns, with sales to knitters and weavers that produce fabric for the apparel, hosiery, sock and other end-use markets. The Nylon Segment consists of sales and manufacturing operations in the U.S. and Colombia.

The International Segment’s products primarily include textured polyester and various types of resale yarns and staple fiber. The International Segment sells its yarns to knitters and weavers that produce fabric for the apparel, automotive upholstery, home furnishings, industrial and other end-use markets primarily in the South American and Asian regions. This segment includes manufacturing locations and sales offices in Brazil and a sales office in China.

Other information for the Company’s reportable segments, including revenues, a measurement of profit or loss, and total assets by segment, is provided in “Note 27. Business Segment Information” to the Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Strategy and Significant Developments

Business Strategy

The Company’s core strategies include: continuously improving all operational and business processes; enriching its product mix by growing its higher margin PVA product portfolio and increasing sales of yarns with regional rules of origin requirements; continuing its strategic penetration in global growth markets, such as China, Central America and Brazil; and maintaining its beneficial joint venture relationships. The Company expects to continue to focus on these core strategies through investments in selected product and geographic development opportunities related to its core business.

REPREVE® and Other PVA

The Company remains committed to growing the business for its value-added products and believes its research and development work with brands and retailers continues to create new, world-wide sales opportunities, as the Company raises the visibility of REPREVE®, the Company’s umbrella brand for its recycled products, as a consumer brand. REPREVE® continues to be the flagship brand in the Company’s PVA portfolio, and the Company is pleased with the opportunities for new REPREVE® product adoptions. The Company is expanding into new end-uses and markets for REPREVE®, and it also expects to continue to grow the brand with current customers. The Company believes it can continue to increase its PVA sales as a percentage of its overall sales volume and grow its global PVA sales to create overall mix enrichment and margin gains. The Company remains on track to double its global PVA sales (from their level in fiscal year 2010) during fiscal year 2014. The Company’s PVA products represent approximately 19% of its consolidated sales volume, and REPREVE® continues to grow at a faster pace than other PVA products.

Planned PVA Expansion

The Company’s recycling facility in Yadkinville, North Carolina, which opened in May 2011, has allowed the Company (i) to expand the REPREVE® brand by increasing the amount and types of recyclable materials that can be used in the manufacturing process and (ii) to develop and commercialize PVA products that meet the sustainability demands for brands and retailers. Based on the Company’s anticipated growth rate for its domestic production of REPREVE® products, the Company believes that demand will exceed the capacity of its recycling facility within the next 12 months. Accordingly, the Company plans to expand the capacity of this facility during fiscal year 2014 to help ensure that the Company will meet growing demand for REPREVE®. The Company’s strategy of enriching its product mix through a focus on PVA products helps insulate it from the pressures of imports of low-priced commodity yarn and helps to establish the Company as an innovation leader in its core markets. In addition to expanding its REPREVE® capacity, the Company expects to make other capital investments to increase its manufacturing flexibility, including its small production run capabilities. These initiatives are designed to support the Company's mix enrichment strategies, while also improving its ability to better service customers and handle an increasingly complex product mix. The capital expenditures required to accomplish these objectives are expected to be approximately $7,000 per year over normal maintenance capital expenditures for each of the next two fiscal years.

X Games Aspen 2013

As part of its efforts to expand consumer brand recognition of REPREVE®, the Company was the official recycling partner of the ESPN X Games Aspen 2013. Through this national advertising campaign, the Company generated over 42 million consumer impressions with its REPREVE® message with ESPN and directly engaged tens of thousands of consumers with the brand. The Company believes that taking a more active role in marketing REPREVE® directly to consumers not only creates awareness for REPREVE® among target consumers, it also raises the visibility and credibility of REPREVE® among brands and retailers. The Company intends to build upon the momentum created by the X Games Aspen 2013 affiliation to expand awareness of the range of products made with REPREVE® recycled fibers, raise awareness of the benefits of recycled products generally and establish REPREVE® as a leading ingredient in sustainable products.

Principal Markets

The Company believes apparel production is growing in the regions covered by the North American Free Trade Agreement ("NAFTA") and Central American Free Trade Agreement ("CAFTA"), which regions comprise the principal markets for the Company's operations. The share of apparel production for these regions as a percentage of U.S. retail has stabilized at approximately 18%, while retail consumption has grown – especially for apparel made with synthetic yarns. The Company expects incremental growth as retailers and brands maintain regional sourcing as part of their overall sourcing plans, retail sales grow modestly, and consumer preferences continue to shift away from cotton to synthetic apparel. The CAFTA region, which continues to be a competitive alternative to Asian supply chains for textile products, has not only maintained its share of synthetic apparel supply to U.S. retailers, it also continues to see new investments being made there. The share of synthetic apparel versus cotton apparel continues to increase and has provided growth for the consumption of synthetic yarns within the CAFTA region. The Company's plant in El Salvador is running at or near capacity, and the Company expects to begin the process of relocating two additional texturing machines to El Salvador to take advantage of the long-term volume opportunities in this region.

Brazil

Throughout fiscal year 2013, the Company's Brazilian subsidiary was negatively impacted by rising raw material costs; continued imports of fiber, fabric and finished goods, which placed pressure on the lower end of the Company's textured yarn product offerings; the inflation rate in Brazil, which adversely affected the Company's converting costs; and adverse changes to an existing value-added tax incentive benefit for local manufacturers. However, the Company has been working on several initiatives designed to improve operating results and to overcome the reduction of the value-added tax benefits. The Company expects that the combination of (i) implementing process improvements and manufacturing efficiency gains that help lower per unit costs, (ii) aggressively pursuing a mix enrichment strategy leading to a more defensible product mix, and (iii) the current initiatives taken by the Brazilian government to support domestic yarn manufacturers, will allow the Company to improve operating results for the Company's fiscal year 2014.

China

The operating results for the Company's Chinese subsidiary improved significantly for fiscal year 2013. Despite the Company's belief that the current market conditions are soft and capacity utilization rates are low throughout the Chinese textile industry, interest and demand for the Company's PVA products in the region remains robust, and the Company is encouraged by sales opportunities that are either in development or under consideration with key brands. The Company also believes that improving demand for its PVA products in Europe will present new growth opportunities for its operations in China. As a result, the Company has hired a sales agent located in Europe to market more effectively to brands and retailers located there.

Completion of the Company's Deleveraging Strategy

During fiscal year 2013, the Company successfully completed its multi-year deleveraging strategy, which has substantially lowered the Company's debt levels and its annual interest expense. Since June 27, 2010, the Company has reduced its total debt by approximately $80,000, lowered its overall weighted average interest rate to approximately 3.4% (from 11.5%) and reduced its expected annual interest expense by approximately $18,000 per year.

Stock Repurchase Program

During fiscal year 2013, the Company's Board of Directors approved a new stock repurchase program to acquire up to $50,000 worth of the Company's common stock. As of September 3, 2013, the Company has repurchased 1,208 shares at an average per share price of $18.66 under this stock repurchase program. The Company will continue to evaluate opportunities to use excess cash flow from operations or borrowings to repurchase additional stock, while maintaining the necessary liquidity to support its operational needs and fund future growth opportunities.

*Repreve Renewables, LLC**

During fiscal year 2013, the Company's bio-energy feedstock joint venture made significant progress in the commercialization of a proprietary suite of establishment technologies and a patented bio-energy crop, Freedom Giant Miscanthus ("FGM"). Repreve Renewables, LLC ("Renewables"), in which the Company has a 60% membership interest (and which is separate from the Company's REPREVE® products), has developed rhizome digging, processing and planting technology, which is highly efficient and effective at delivering high germination rates for plant varieties, like FGM, at significantly reduced establishment costs. The Company believes this technology provides commercial scale planting capabilities, which Renewables expects to further refine in the 2014 planting season. The Company believes giant Miscanthus, based on its yield potential, elemental composition and environmental properties, has the potential to be a leader in the growing biomass feedstock market. Based on current projections prepared by the U.S. Department of Energy and Renewables' estimates, the U.S. biomass feedstock market for perennial grasses such as FGM is expected to be approximately $30 billion annually by 2022. The Company believes FGM has the potential to be a leader in the developing biomass feedstock market, and the Company intends to assist Renewables in its plans to develop, fund and implement strategies during fiscal year 2014 focused on capitalizing on this opportunity.

* Dollar amounts for market or industry data in this section are actual and not in thousands (000s).

Industry Overview*

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

According to data compiled by Petrochemical Consultants International, global demand for polyester yarns, which includes both filament and staple yarns, has grown steadily since 1980, and in calendar year 2003, polyester replaced cotton as the fiber with the largest percentage of worldwide sales. In calendar year 2012, global polyester consumption accounted for an estimated 53% of global fiber consumption, and demand is projected to increase by approximately 4% to 5% annually through 2020. In calendar year 2012, global nylon consumption accounted for an estimated 5% of global fiber consumption, and demand is projected to increase by approximately 2% annually through 2020. The polyester and nylon fiber sectors together accounted for approximately 59% of U.S. textile consumption during calendar year 2012.

According to the National Council of Textile Organizations, the U.S. textile industry's total shipments were $53 billion for calendar year 2012. The industrial and consumer floor covering, apparel and hosiery, and furnishings markets account for 43%, 34%, 15% and 8% of total production, respectively. During calendar year 2012, the U.S. textile industry exported more than $17 billion of textile products and has grown by 36% since 2009, an increase of over $4.5 billion. The U.S. textile industry is a large manufacturing employer in the U.S. The overall textile industry employed 499,000 workers in calendar year 2012.

Trade Regulation and Rules of Origin

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

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

U.S. legislation commonly referred to as the Berry Amendment stipulates that certain textile and apparel articles purchased by the U.S. Department of Defense must be manufactured in the U.S. and must consist of yarns and fibers produced in the U.S. Efforts are currently underway to expand this legislation to require other government agencies, such as the Department of Homeland Security, to purchase U.S. origin textile products when available. The Company is the largest producer of such yarns for Berry Amendment compliant programs.

The Company refers to fibers sold with specific rules of origin requirements under the Regional FTAs and fibers sold with rule of origin requirements under the Berry Amendment as “Compliant Yarns”. On a consolidated basis, approximately 50% of the Company’s sales are sold as Compliant Yarns under the terms of the Regional FTAs or the Berry Amendment.

* Dollar amounts for market or industry data in this section are actual and not in thousands (000s).

In the last four years, the share of apparel production for the NAFTA and CAFTA regions as a percentage of U.S. retail has stabilized at 18%, while retail consumption has grown for apparel made with synthetic yarns. This trend supports the Company's view that the remaining synthetic apparel production within these regional markets is more specialized and defensible, and, in some cases, apparel producers are bringing programs back to the regions as a part of a balanced sourcing strategy of some retailers and brands.

The Company believes the requirements of the rules of origin and the associated duty-free cost advantages in the Regional FTAs, together with the Berry Amendment and the growing need for quick response and inventory turns, will ensure that a portion of the existing textile industry will remain based in the Americas. The Company expects that the NAFTA and CAFTA regions will continue to maintain their share of apparel production as a percentage of U.S. retail. Because the Company is the largest of only a few significant producers of Compliant Yarns under these Regional FTAs, one of the Company's business strategies is to leverage its eligibility status for duty-free processing to increase its share of business with regional and domestic fabric producers who ship their products into these regions.

Over the longer term, however, the textile industry in the U.S. and the NAFTA and CAFTA regions, are likely to be impacted when and if negotiations are concluded to forge a new TransPacific Partnership Free Trade Agreement ("TPP"). Countries currently participating in the TPP negotiations, which have been ongoing for several years, include Australia, Brunei, Canada, Chile, Malaysia, Mexico, Japan, New Zealand, Peru, Singapore, Vietnam and the United States. The U.S. government has presented a yarn forward rule of origin for inclusion in the TPP, which (if accepted) would provide certain protections for textile and apparel producers in the U.S. and NAFTA and CAFTA regions, but negotiations on that and other important market access issues for textiles and apparel have not been completed. Several participants, including Vietnam, are pressing for immediate duty-free market access to these regional markets and a more liberal rule of origin, either of which would have significant adverse effects on the textile industry and apparel market in the U.S. and the NAFTA and CAFTA regions. While the completion of negotiations for the TPP (and its implementation following possible completion), is not expected to occur for several years, numerous participants in the U.S. textile industry are actively engaged in initiatives to eliminate or reduce the likelihood of such an adverse outcome, or at least to delay the full potential of its impact. The Company's long-term business strategies are also focused on ways to maintain the Company's profitability when and if the TPP is concluded and implemented.

Products and Related Markets

The Company manufactures polyester yarn and related products in the U.S., El Salvador and Brazil, and nylon yarns in the U.S. and Colombia, for a wide range of end-uses. In addition, the Company purchases certain yarns for resale to its customers. The Company processes and sells POY, as well as high-volume commodity yarns, and PVA and other specialty yarns in both domestic and international markets, with PVA yarns making up approximately 19%, 18% and 17% of consolidated sales for fiscal years 2013, 2012 and 2011, respectively. The Company provides products to a variety of end-use markets, the principal ones of which are the apparel market, the industrial market, the furnishings market and the automotive upholstery market.

The apparel market, which includes hosiery, represents approximately 66% of the Company's sales. Apparel retail sales, supply chain inventory levels and strength of the regional supply base are vital to this market. Generally, synthetic apparel consumed in the U.S. grows 4% to 5% per year and, over the last four years, the Regional FTA share of supply of U.S. synthetic apparel has remained constant at approximately 18%.

The industrial market represents approximately 14% of the Company's sales. This market includes medical, belting, tapes, filtration, ropes, protective fabrics and awnings.

The furnishings market, which includes both contract and home furnishings, represents approximately 11% of the Company's sales. Furnishings sales are largely dependent upon the housing market, which in turn is influenced by consumer confidence and credit availability.

The automotive upholstery market represents approximately 6% of the Company's sales and has been less susceptible to import penetration because of the exacting specifications and quality requirements often imposed on manufacturers of automotive upholstery and the just-in-time delivery requirements. Effective customer service and prompt response to customer feedback are logistically more difficult for an importer to provide.

The Company also adds value to the overall supply chain for textile products, and increases consumer demand for the Company's own products, through the development and introduction of branded yarns that provide unique sustainability, performance, comfort and aesthetic advantages. The Company's branded portion of its yarn portfolio continues to provide product differentiation to brands, retailers and consumers and includes products such as:

REPREVE®, a family of eco-friendly yarns made from recycled materials. Since its introduction in 2006, REPREVE® has been the Company's most successful branded product. The Company's recycled performance fibers are manufactured to provide certain performance and/or functional properties to various types of fabrics and end products. REPREVE® can be found in the products of well-known brands and retailers such as Ford, Haggar, Life Khaki, Polartec, The North Face, Patagonia, REI, Perry Ellis, Home Depot, Sears, Macy's, Kohl's, Greg Norman and Belk department stores.

Reflexx®, a family of stretch yarns that can be found in a wide array of end-use applications, from home furnishings to performance wear and from hosiery and socks to work wear and denim. Reflexx® can be found in many products, including certain products used by the U.S. military.

Sorbtek®, a permanent moisture management yarn primarily used in performance base layer applications, compression apparel, athletic bras, sports apparel, socks and other non-apparel related items. Sorbtek® can be found in many well-known apparel brands, including Adidas and Asics, and is also used by MJ Soffe and New Balance for certain U.S. military products.

aio® all-in-one performance yarns combine multiple performance properties into a single yarn. aio® is being used by brands MJ Soffe and New Balance for several U.S. military apparel products.

A.M.Y. ®, a yarn with permanent antimicrobial properties for odor control. A.M.Y.® is being used by MJ Soffe and New Balance in certain products for the U.S. military.

Research and Development

The Company has a research and development staff of approximately 47 persons who work closely with the Company's customers and others to develop a variety of yarns and improvements to the performance properties of existing yarns and fabrics. Among other things, the Company's research and development staff evaluates trends and uses the latest technology to create innovative specialty and PVA yarns that meet the needs of evolving consumer preferences. The Company also includes as part of its research and development initiatives the use of continuous improvement methodologies to increase its manufacturing and other operational efficiencies, both to enhance product quality and to derive cost savings. For fiscal years 2013, 2012 and 2011, the Company incurred $4,940, $4,764 and $4,145, respectively, for research and development costs (including salaries and benefits of its personnel involved in those efforts) with respect to product development or improvement initiatives alone.

Manufacturing Processes

The Company uses advanced production processes to manufacture its high quality yarns cost-effectively. The Company believes that its flexibility and know-how in producing specialty yarns provides important development and commercialization advantages. The Company produces polyester POY for its commodity and PVA and other specialty yarns in its polyester spinning facility located in Yadkinville, North Carolina. The POY yarns can be sold externally or further processed internally. The Company produces recycled polyester Chip at the Repreve Recycling Center at its Yadkinville location. This facility allows the Company to improve the availability of recycled raw materials and significantly increase product capabilities and competitiveness in the growing market for REPREVE®.

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

The Company produces its textured nylon yarn products at its Madison, North Carolina location. Additional processing of the Company's nylon yarn products primarily includes covering, which involves the wrapping or air entangling of filament or spun yarn around a core yarn. This process enhances a fabric's ability to stretch, recover its original shape and resist wrinkles while maintaining a softer feel.

Sales and Marketing

The Company employs an internal sales force of approximately 40 persons operating out of sales offices in the U.S., Brazil, China, El Salvador, Colombia and Europe. The Company relies on independent sales agents for sales in several other countries. The Company seeks to create strong customer relationships and continually seeks ways to build and strengthen those relationships throughout the supply chain. Through frequent communications with customers, partnering with customers in product development and engaging key downstream brands and retailers, the Company has created significant pull-through sales and brand recognition for its products. For example, the Company works with brands and retailers to educate and create demand for its value-added products. The Company then works with key fabric mill partners to develop specific fabric for those brands and retailers utilizing its PVA products. Based on the establishment of many commercial and branded programs, this strategy has been successful for the Company.

Customers

The Company's Polyester Segment has approximately 380 customers, its Nylon Segment has approximately 160 customers and its International Segment has approximately 610 customers in a variety of geographic markets. The Company's products are manufactured based upon product specifications by the respective customers and are shipped based upon customer order requirements. Customer payment terms are generally consistent across the segments and are based on prevailing industry practices for the sale of yarn domestically or internationally.

The Company's sales are not materially dependent on a single customer or a small group of customers; no single customer accounts for ten percent or more of the Company's consolidated net sales. The Company's top ten customers accounted for approximately 32% of sales for fiscal year 2013 and approximately 32% of receivables as of June 30, 2013. The Company's sales within its Nylon Segment are materially dependent upon sales to Hanesbrands, Inc., a domestic customer that accounted for approximately 33% of the Nylon Segment's sales for fiscal year 2013.

Geographic Data

Geographic information for the Company's net sales is as follows:

	For the Fiscal Years Ended		
	June 30, 2013	**June 24, 2012**	**June 26, 2011**
U.S.	$519,148	$515,522	$502,255
Brazil	124,455	125,737	144,669

All Other Foreign (excluding Brazil)	70,359	63,827	65,888
All Foreign (including Brazil)	194,814	189,564	210,557
Total Net sales	$713,962	$705,086	$712,812

The geographic information for net sales is based upon the operating locations from where the items were produced or distributed. Export sales from the Company's U.S. operations to external customers were $93,128, $84,558 and $82,944 for the fiscal years ended June 30, 2013, June 24, 2012 and June 26, 2011, respectively.

Geographic information for the Company's long-lived assets is as follows:

	June 30, 2013	**June 24, 2012**	**June 26, 2011**
U.S.	$200,958	$215,890	$229,147
Brazil	16,150	19,121	27,918
All Other Foreign (excluding Brazil)	8,658	7,935	6,242
All Foreign (including Brazil)	24,808	27,056	34,160
Total long-lived assets	$225,766	$242,946	$263,307

Long-lived assets are comprised of net property, plant and equipment; net intangible assets; investments in unconsolidated affiliates; and other non-current assets.

Geographic information for the Company’s total assets is as follows:

	June 30, 2013	June 24, 2012	June 26, 2011
U.S.	$346,651	$370,572	$385,200
Brazil	72,735	77,788	113,855
All Other Foreign (excluding Brazil)	36,080	33,873	38,321
All Foreign (including Brazil)	108,815	111,661	152,176
Total Assets	$455,466	$482,233	$537,376

Raw Materials, Suppliers and Sourcing

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

The Company produces and buys certain of its raw material fibers for Compliant Yarns from a variety of sources in both the U.S. and Israel. The Company produces a portion of its Chip requirements in its recycling center and purchases the remainder of its requirements from external suppliers for use in its spinning facility. In the U.S., Brazil and China, the Company purchases nylon and polyester products for resale from various suppliers. Although the Company does not generally have difficulty in obtaining its raw material requirements, the Company has in the past experienced interruptions or limitations in the supply of certain raw materials.

Intellectual Property

The Company has 33 U.S. registered trademarks. Due to its current brand recognition and potential growth opportunities, the Company believes that REPREVE® is its most significant trademark. Ownership rights in U.S. registered trademarks do not expire if the trademarks are continued in use and properly protected. Renewables, in which the Company has a 60% membership interest, also has a global, exclusive license to the proprietary biomass variety, FREEDOM® Giant Miscanthus, developed by Mississippi State University.

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

Competition

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

The Company's major competitors for polyester yarns are O'Mara, Inc. and NanYa in the U.S.; AKRA, S.A. de C.V. in the NAFTA region; and C S Central America S.A. de C.V. in the CAFTA region. The Company's major competitors in Brazil are Avanti Industria Comercio Importacao e Exportacao Ltda., Polyenka Ltda., and other imported yarns and fibers. The Company's major competitors for nylon yarns are Sapona Manufacturing Company, Inc. and McMichael Mills, Inc. in the U.S., and Worldtex, Inc. in the Andean region in South America.

In Brazil, Petrosuape-Companhia Petroquimica de Pernambuco ("Petrosuape"), a subsidiary of Petrobras Petroleo Brasileiro S.A., a public oil company controlled by the Brazilian government, is constructing a polyester manufacturing complex located in the northeast sector of the country. Petrosuape is expected to produce PTA, polyethylene terephthalate ("PET") resin, POY and textured polyester. Once fully operational, Petrosuape will most likely be a significant competitor because its textured polyester operations are expected to have approximately twice the capacity of the Company’s subsidiary, Unifi do Brasil. Petrosuape’s textured polyester operation started limited production in July 2010 and is expected to be in full commercial production by the middle of calendar year 2014.

Employees

The Company has approximately 2,500 employees. The number of employees in the Polyester Segment, Nylon Segment, International Segment and corporate office are approximately 1,300, 600, 500 and 100, respectively. While employees of the Company’s foreign operations are generally unionized, none of the domestic employees are currently covered by a collective bargaining agreement.

Seasonality

The Company is not significantly impacted by seasonality. Excluding the effects of fiscal years with 53 rather than 52 weeks, the most significant effects on the Company’s results of operations for particular periods during a year are due to planned manufacturing shutdowns by either the Company or its customers for certain holiday or traditional shutdown periods, which are not concentrated in any one particular season.

Backlog

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

Inflation

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

Environmental Matters

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

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

On September 30, 2004, the Company completed its acquisition of the polyester filament manufacturing assets located in Kinston, North Carolina from INVISTA. The land for the Kinston site was leased pursuant to a 99 year ground lease (“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 (“EPA”) and the North Carolina Department of Environment and Natural Resources (“DENR”) pursuant to the Resource Conservation and Recovery Act Corrective Action program. The Corrective Action program requires DuPont to identify all potential areas of environmental concern (“AOCs”), assess the extent of containment at the identified AOCs and to clean it up to comply with applicable regulatory standards. Effective March 20, 2008, the Company entered into a Lease Termination Agreement associated with conveyance of certain assets at Kinston to DuPont.

This agreement terminated the Ground Lease and relieved the Company of any future responsibility for environmental remediation, other than participation with DuPont, if so called upon, with regard to the Company's period of operation of the Kinston site (which was from 2004 to 2008). However, the Company continues to own a satellite service facility acquired in the INVISTA transaction that has contamination from DuPont's operations and is monitored by DENR. This site has been remediated by DuPont, and DuPont has received authority from DENR to discontinue remediation, other than natural attenuation. DuPont's duty to monitor and report to DENR will be transferred to the Company in the future, at which time DuPont must pay the Company for seven years of monitoring and reporting costs and the Company will assume responsibility for any future remediation and monitoring of the site. At this time, the Company has no basis to determine if or when it will have any responsibility or obligation with respect to the AOCs or the extent of any potential liability for the same.

Unconsolidated Joint Ventures

The Company participates in two joint ventures that are suppliers to the Company's Nylon Segment, with one located in the U.S. and one in Israel. The Company also participates in Parkdale America, LLC ("PAL"), which is a joint venture between the Company and Parkdale Incorporated ("Parkdale") that is a domestic cotton and synthetic spun yarn manufacturer. As of June 30, 2013, the Company had $93,261 invested in these unconsolidated affiliates. For fiscal year 2013, $11,444 of the Company's $29,014 of income before income taxes was generated from its investments in these unconsolidated affiliates, of which $9,481 was attributable to PAL. The Company's investment in PAL has generated a significant portion of the Company's earnings, and dividends from PAL have contributed a significant portion of the Company's cash flow from operations. Other information regarding the Company's unconsolidated affiliates is provided in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and in "Note 24. Investments in Unconsolidated Affiliates and Variable Interest Entities" to the Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Available Information

The Company's website is: www.unifi.com. The information on our website is available for informational purposes and convenience only, and is not incorporated by reference in this Annual Report on Form 10-K or any other filing we make with the SEC.

We make available on our website certain reports and amendments to those reports, as applicable, that the Company files with or furnishes to the SEC pursuant to the Exchange Act as soon as practicable after such material is electronically filed with or furnished to the SEC. These include our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. In addition, many of our corporate governance documents are available on our website, including our Corporate Governance and Nominating Committee Charter, our Compensation Committee Charter, our Audit Committee Charter, our Corporate Governance Guidelines, our Code of Business

Conduct and Ethics, and our Ethical Business Conduct Policy Statement. Copies of such materials, as well as any of our SEC reports, may also be obtained without charge by writing to Unifi, Inc. P.O. Box 19109, Greensboro, North Carolina 27419-9109, Attention: Office of the Secretary.

Item 1A. RISK FACTORS

Our business, operations and financial condition, and the textile industry in which we operate, are subject to various risks. Some of these risks are described below, but they do not constitute all of the risks that may be applicable to us, our business or our industry. New risks may emerge from time to time, and it is not possible for us to predict all potential risks or to assess with certainty the likely impact of all risks. The discussion below is intended as a summary only of certain material risk factors. More detailed information concerning the risk factors described below is contained in other sections of this Annual Report on Form 10-K, including in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." You should consider all such risks in evaluating the Company or making any investment decision involving the Company.

Risks Relating to Our Business

The Company faces intense competition from a number of domestic and foreign yarn producers and importers of textile and apparel products. Because the Company and the supply chains in which the Company operates do not typically operate on the basis of long-term contracts with textile and apparel customers, these competitive factors could cause the Company's customers to shift rapidly to other producers.

The Company competes not only against domestic and foreign yarn producers, but also against importers of foreign sourced fabric and apparel into the U.S. and other countries in which the Company does business. The primary competitive factors in the textile industry include price, quality, product styling and differentiation, flexibility of production and finishing, delivery time and customer service. The needs of particular customers and the characteristics of particular products determine the relative importance of these various factors. A large number of the Company’s foreign competitors have significant competitive advantages, including lower labor and raw materials costs, government subsidies, and favorable currency exchange rates against the U.S. dollar. If any of these advantages increase, or if new and/or larger competitors emerge in the future, the Company’s products could become less competitive, and its sales and profits may decrease as a result. Also, while these foreign competitors have traditionally focused on commodity production, they are now increasingly focused on value-added products, where the Company has been able to generate higher margins. The Company may not be able to continue to compete effectively with imported foreign-made textile and apparel products, which would materially adversely affect its business, financial condition, results of operations or cash flows.

In Brazil, Petrosuape’s textured polyester operations are expected to have approximately twice the capacity of the Company’s subsidiary, Unifi do Brasil, when Petrosuape reaches full commercial production, which is expected by the middle of calendar year 2014. Such capacity expansion may negatively impact the synthetic textile filament market in Brazil, thereby negatively impacting the operating results of Unifi do Brasil and the Company on a consolidated basis.

The significant price volatility of many of the Company’s raw materials and rising energy costs may result in increased production costs, which the Company may not be able to pass on to its customers, or be able to pass on without a time lag that adversely affects the Company during one or more periods.

A significant portion of the Company’s raw materials 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 geo-political risks. While the Company enters into raw material supply agreements from time to time, these agreements typically provide index pricing based on quoted feedstock market prices. Therefore, supply agreements provide only limited protection against price volatility. While the Company has at times in the past been able to increase sales prices in response to increased raw material costs, the Company has not always been able to do so. The Company has lost in the past (and expects that it may lose in the future) customers to its competitors as a result of price increases. In addition, competitors may be able to obtain raw materials at a lower cost due to market regulations that favor local producers, and certain other market regulations that favor the Company over other producers may be amended or repealed. Additionally, inflation can have a long-term impact by increasing the costs of materials, labor and/or energy, any of which costs may impact the Company’s ability to maintain satisfactory margins. If the Company is not able to fully pass on such cost increases to customers in a timely manner (or if it loses a large number of customers to competitors as a result of price increases), the result could be material and adverse to its business, financial condition, results of operations or cash flows.

The Company depends upon limited sources for raw materials, and interruptions in supply could increase its costs of production, cause production inefficiencies, or lead to a halt in production in an extreme case.

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

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

The Company has operations in Brazil, China, Colombia and El Salvador, and participates in a foreign joint venture located in Israel. The Company serves customers in Canada, Mexico and various countries in Europe, Central America, South America and Asia. The Company's foreign operations are subject to certain political, tax, economic and other uncertainties not encountered by its domestic operations that can materially impact the Company's supply chains or other aspects of its foreign operations. The risks of international operations include trade barriers, duties, exchange controls, national and regional labor strikes, social and political unrest, general economic risks, compliance with a variety of foreign laws (including tax laws), the difficulty of enforcing agreements and collecting receivables through foreign legal systems, taxes on distributions or deemed distributions to the Company or any of its U.S. subsidiaries, maintenance of minimum capital requirements, and import and export controls. The Company's results of operations and business could be adversely affected as a result of a significant adverse development with respect to any of these matters.

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

As product demand flow shifts from a region or within a region, the Company could lose its cost competitiveness due to the location of manufacturing operations.

The Company primarily manufactures its products in the U.S., Brazil, El Salvador and Colombia and has a sales office in China. In the event there is a product demand flow shift, the Company may incur higher manufacturing, transportation and/or raw material costs than it could achieve if its manufacturing operations were located in or closer to these new product demand centers. This could adversely affect the competitiveness of the Company's operations and have a material adverse effect on its business, financial condition, results of operations or cash flows.

Unforeseen or recurring operational problems at any of the Company's facilities may cause significant lost production.

The Company's manufacturing processes could be affected by operational problems that could impair its production capability. Disruptions at any of its facilities could be caused by maintenance outages; prolonged power failures or reductions; a breakdown, failure or substandard performance of equipment; the effect of noncompliance with material environmental requirements or permits; disruptions in the transportation infrastructure, including railroads, bridges, tunnels or roads; fires, floods, earthquakes or other catastrophic disasters; labor difficulties; or other operational problems. Any prolonged disruption in operations at any of its facilities could cause significant lost production, which would have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

The Company is currently implementing various strategic business initiatives, and the success of the Company's business will depend on its ability to effectively develop and implement these initiatives.

The Company is currently developing and implementing various strategic business initiatives to improve the Company's competitive advantage and profitability and enhance shareholder value. These initiatives include expanding branded PVA yarns and increasing the market penetration of REPREVE® product offerings. The development and implementation of these initiatives requires financial and management commitments, outside of day-to-day operations. If the Company is unable to implement an important initiative in a timely manner, or if those initiatives turn out to be ineffective or are executed improperly, the Company's business, financial condition, results of operations or cash flows could be adversely affected.

The Company's future success will depend in part on its ability to protect its intellectual property rights, and the Company's inability to enforce these rights could cause it to lose sales and its competitive advantage.

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

The success of the Company depends on the ability of its senior management team, as well as the Company's ability to attract and retain other key personnel.

The Company's success is highly dependent on the abilities of its management team. The management team must be able to work together effectively to successfully conduct the Company's current operations, as well as implement the Company's important strategies. The Company currently does not have employment agreements with the members of its management team and cannot ensure investors that any of these individuals will remain with the Company. The Company does not have key man life insurance policies on any of the members of the management team. The failure to retain key managers or key members of the Company's design, product development, manufacturing, merchandising or marketing staff, or to hire additional qualified personnel for its operations, could be detrimental to the Company's operations and ability to execute its strategic business initiatives.

The Economic Adjustment Assistance to Users of Upland Cotton may be discontinued, which could adversely affect PAL and thereby the Company's earnings and cash flows from that joint venture.

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

The Company has made (and may continue to make) investments in entities that it does not control, which subjects the Company to uncertainties about their operating performance and their ability and willingness to make distributions of profits or cash flow to the Company, and to risks from reliance on their financial information.

The Company has established joint ventures, and made minority interest investments, that the Company does not control. While these investments are designed to advance important business interests of the Company, the Company does not have majority voting control of these entities or the ability otherwise to control their policies, management or affairs. The interests of persons who control these entities may differ from the Company's, and those persons may cause an entity to take actions that are not in the Company's best interest. Among other things, the Company's inability to control these entities may adversely affect its ability to receive distributions from them or to fully implement its business plan. The incurrence of debt or entry into other agreements by an entity may result in restrictions or prohibitions on that entity's ability to pay dividends or make other distributions to the Company. Even where such entities are not restricted by contract or by law from making distributions, the Company may not be able to influence the occurrence or timing of such distributions. In addition, if any of the other investors in these entities fails to observe its commitments, that entity may not be able to operate according to its business plan, or the Company may be required to increase its level of investment commitment. If any of these events were to occur, the Company's business, results of operations, financial condition or cash flows could be adversely affected.

The Company also relies on accurate financial reporting from these entities for preparation of the Company's quarterly and annual financial statements. Errors in the financial information reported by these entities could be material to the Company and may require it to restate past financial statements. Any such restatements could have a material adverse effect on the Company or the market price of its common stock.

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

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

Risks Relating to the Textile Industry

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

The Company's products are used in the production of fabric primarily for the apparel, hosiery, home furnishings, automotive, industrial and other similar end-use markets. Demand for furniture and durable goods is often affected significantly by economic conditions that have global or regional industry-wide consequences. Demand for a number of categories of apparel also tends to be tied to economic cycles and customer preference that affect the textile industry generally. Demand for textile products, therefore, tends to vary with the business cycles of the U.S. and other economies, as well as changes in global trade flows, and economic and political conditions.

Changes in the trade regulatory environment could weaken the Company's competitive position significantly and have a material adverse effect on its business.

A number of markets within the textile industry in which the Company sells its products – particularly the apparel, hosiery and home furnishings markets – are subject to intense foreign competition. Other markets within the textile industry in which the Company sells its products may in the future become subject to more intense foreign competition. There are currently a number of trade regulations and duties in place to protect the U.S. textile industry against competition from low-priced foreign producers, such as those in China and Vietnam. Changes in such trade regulations or duties may make the price of the Company's products less attractive than the goods of its competitors or the finished apparel products of a competitor in the supply chain, which could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

An increase of illegal transshipments of textile and apparel goods into the U.S. (or into the NAFTA or CAFTA regions) could have a material adverse effect on the Company's business.

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

The outcome of negotiations for a trade agreement among the TPP participating countries is unpredictable and could lead to provisions that materially and adversely affect the U.S. textile industry and apparel market in future years.

The U.S. government is currently engaged in negotiations that have been ongoing for several years relating to the TPP. Other countries currently participating in the TPP negotiations include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. Several of these countries, including Vietnam, are seeking immediate duty-free treatment (or the lack of a yarn forward rule of origin) in the final TPP with respect to yarns, fabrics and most apparel. Such an outcome in the TPP, when and if the TPP is concluded and implemented, could materially and adversely affect the U.S. textile industry and apparel market and Western Hemisphere supply chains in future years.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 1C. EXECUTIVE OFFICERS OF THE REGISTRANT

The following is a description of the name, age, position and offices held, and the period served in such position or offices, for each of the executive officers of the Company.

Chairman of the Board and Chief Executive Officer

WILLIAM L. JASPER — Age: 60 – Mr. Jasper has been Chairman of the Board since February 2011 and Chief Executive Officer since September 2007. From September 2007 to February 2011, he was also President of the Company. Mr. Jasper joined the Company in September 2004, was appointed as the General Manager of the Polyester Division in June 2005, and in April 2006 was promoted to Vice President of Sales. Prior to joining the Company, he was the Director of INVISTA's Dacron® polyester filament business. Before working at INVISTA, Mr. Jasper had held various management positions in operations, technology, sales and business for DuPont since 1980. He has been a member of the Company's Board of Directors (the "Board") since September 2007 and is Chair of the Board's Executive Committee.

President and Chief Operating Officer

R. ROGER BERRIER — Age: 44 – Mr. Berrier has been President and Chief Operating Officer since February 2011. Mr. Berrier had been the Executive Vice President of Sales, Marketing and Asian Operations of the Company from September 2007 until his promotion in 2011. Prior to 2007, Mr. Berrier had been the Vice President of Commercial Operations (since April 2006) and the Commercial Operations Manager responsible for corporate product development, marketing and brand sales management (from April 2004 to April 2006). Mr. Berrier joined the Company in 1991 and had held various other management positions within operations, including international operations, machinery technology, research and development and quality control before assuming the above positions. He has been a member of the Board since September 2007 and is a member of the Board's Executive Committee.

Interim Chief Financial Officer

JAMES M. OTTERBERG — Age: 42 – Mr. Otterberg was appointed the Company's interim Chief Financial Officer on August 12, 2013 following the resignation of the Company's previous Chief Financial Officer. Mr. Otterberg continues in his role as the Company's principal accounting officer, a role he has held since October 2011. Mr. Otterberg has been employed by the Company's subsidiary, Unifi Manufacturing, Inc., since June 2011 as Vice President and Chief Accounting Officer, and previously from October 1999 to December 2003 as Director – Joint Ventures and Alliances and Corporate Financial Analyst. Mr.

Otterberg also held various financial positions for Polymer Group, Inc. from 2004 to 2011, including Vice President – Finance U.S. from February 2008 through May 2011.

Vice President

THOMAS H. CAUDLE, JR. — Age: 61 – Mr. Caudle has been Vice President of Manufacturing since October 2006. Before that time, he was Vice President of Global Operations of the Company (from April 2003 until October 2006), Senior Vice President in charge of manufacturing (since July 2000) and Vice President of Manufacturing Services (since January 1999). Mr. Caudle has been an employee of the Company since 1982.

Each of the executive officers, other than Mr. Otterberg, was reelected to his current position by the Board at its meeting on October 24, 2012. Mr. Otterberg was appointed to the position of interim Chief Financial Officer on August 12, 2013. Each executive officer serves in his position at the pleasure of the Board. No executive officer has a family relationship as close as first cousin with any other executive officer or director.

Item 2. PROPERTIES

The following table contains information about the principal properties owned or leased by the Company as of June 30, 2013:

Location	**Description**
Polyester Segment Properties	
Domestic	
Yadkinville, NC	Five plants and four warehouses (1)
Reidsville, NC	One plant (1)
Foreign	
Ciudad Arce, El Salvador	One plant and one warehouse (2)
Nylon Segment Properties	
Domestic	
Madison, NC	One plant and one warehouse (1)
Foreign	
Bogota, Colombia	One plant (1)

International Segment Properties

Foreign

Alfenas, Brazil	One plant and one warehouse (1)
Sao Paulo, Brazil	One corporate office (2) and two sales offices (2)
Suzhou, China	One sales office (2)

(1) Owned in fee simple
(2) Leased facilities

In addition to the above properties, the Company owns property located at 7201 West Friendly Avenue in Greensboro, North Carolina, which includes a building that serves as the Company's corporate administrative office for all its segments and a sales office. Such property consists of a tract of land containing approximately nine acres, and the building contains approximately 100,000 square feet.

As of June 30, 2013, the Company owned approximately 4.4 million square feet of manufacturing, warehouse and office space. In addition, Repreve Renewables, LLC leases approximately 932 acres of farm land located primarily in Georgia and North Carolina.

Management believes all of the Company's operating properties are well maintained and in good condition. In fiscal year 2013, the Company's manufacturing plants in the Polyester, Nylon and International Segments operated below capacity. Management does not perceive any capacity constraints in the foreseeable future.

Item 3. LEGAL PROCEEDINGS

There are no pending legal proceedings, other than ordinary routine litigation incidental to the Company's business, to which the Company is a party or to which any of its property is the subject.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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

	High	Low
Fiscal year 2013:		
First quarter ended September 23, 2012	$12.36	$10.44
Second quarter ended December 23, 2012	14.13	11.90
Third quarter ended March 24, 2013	19.30	11.28
Fourth quarter ended June 30, 2013	22.53	17.18
Fiscal year 2012:		
First quarter ended September 25, 2011	$14.74	$8.32
Second quarter ended December 25, 2011	9.41	7.01
Third quarter ended March 25, 2012	10.00	7.14
Fourth quarter ended June 24, 2012	12.27	8.95

As of September 3, 2013, there were 292 record holders of the Company's common stock. A significant number of the outstanding shares of common stock that are beneficially owned by individuals and entities are registered in the name of Cede & Co. Cede & Co. is a nominee of the Depository Trust Company, a securities depository for banks and brokerage firms. The Company estimates that there are approximately 4,100 beneficial owners of its common stock.

No dividends were paid in the past two fiscal years, and the Company does not intend to pay cash dividends in the foreseeable future. The Company's current debt obligations contain certain restricted payment and restricted investment provisions, including a restriction on the payment of dividends and share repurchases should its borrowing capacity fall below certain thresholds. Information regarding the Company's debt obligations is provided in "Note 12. Long-Term Debt" to the Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Purchases of Equity Securities

On January 22, 2013, the Board terminated a previous stock repurchase program (which had already been suspended since November 2003) and approved a new stock repurchase program that authorized the Company to repurchase up to $50,000 worth of common stock. Under the new repurchase program, the Company is authorized to repurchase shares at prevailing market prices, through open market purchases or in privately negotiated transactions, at such times and prices and in such manner as determined by management, subject to market conditions, applicable legal requirements, contractual obligations and other factors. The repurchase program has no stated expiration or termination date, and there is no time limit or specific time frame otherwise for repurchases. The Company may discontinue repurchases at any time that management determines additional purchases are not beneficial or advisable.

Since the inception of the new stock repurchase program through September 3, 2013, the Company has repurchased 1,208 shares of common stock at a total cost of $22,564 including all associated commission costs.

The following table summarizes the Company’s purchases of its common stock during the fiscal quarter ended June 30, 2013, all of which purchases were made under the new stock repurchase program.

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs**
3/25/13 – 4/24/13	—	$ —	—	$ 40,330
4/25/13 – 5/24/13	377	$ 18.99	377	33,175
5/25/13 – 6/30/13	120	$ 20.71	120	30,697
Total	497	$ 19.41	497	

PERFORMANCE GRAPH - SHAREHOLDER RETURN ON COMMON STOCK

Set forth below is a line graph comparing the cumulative total shareholder return on the Company’s common stock with (i) the New York Stock Exchange Composite Index, a broad equity market index, and (ii) a peer group selected by the Company in good faith (the “Peer Group”), assuming in each case, the investment of $100 on June 29, 2008 and reinvestment of dividends. Including the Company, the Peer Group consists of eleven publicly traded textile companies, including Albany International Corp., Culp, Inc., Dixie Group, Inc., The Hallwood Group, Inc., Hampshire Group, Limited, Interface, Inc., Joe’s Jeans Inc., JPS Industries, Inc., Lydall, Inc., and Mohawk Industries, Inc. Decorator Industries, Inc., which was previously included in the peer group used through fiscal year 2012, has now been removed from all years because it is no longer a public company.

All per share prices of the Company’s common stock have been retroactively adjusted to reflect the Company’s November 3, 2010 1-for-3 reverse stock split.

	June 29, 2008	June 28, 2009	June 27, 2010	June 26, 2011	June 24, 2012	June 30, 2013
Unifi, Inc.	100.00	55.73	158.89	159.82	157.97	272.33
NYSE Composite	100.00	70.60	82.72	99.73	97.78	120.80
Peer Group	100.00	51.02	79.72	97.71	93.85	159.20

Item 6. SELECTED FINANCIAL DATA

The following table presents selected historical consolidated financial data. The data should be read in conjunction with the Company's historical consolidated financial statements for each of the periods presented, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K. Fiscal year 2013 consists of 53 weeks, while fiscal years 2012, 2011, 2010 and 2009 each contained 52 weeks.

	For the Fiscal Years Ended				
	June 30, 2013	June 24, 2012	June 26, 2011	June 27, 2010	June 28, 2009
Operations Data:					
Net sales	$713,962	$705,086	$712,812	$622,618	$558,415
Gross profit	$73,104	$54,396	$74,652	$73,251	$29,693
Selling, general and administrative expenses	$47,386	$43,482	$44,659	$47,934	$40,309
Operating income (loss) (3)	$22,463	$8,632	$28,692	$25,388	$(26,560)
Interest expense	$4,489	$16,073	$19,190	$21,889	$23,152
Equity in earnings of unconsolidated affiliates	$(11,444)	$(19,740)	$(24,352)	$(11,693)	$(3,251)
Income (loss) from continuing operations before income taxes	$29,014	$8,849	$32,422	$18,371	$(44,760)
Provision (benefit) for income taxes (4)	$13,344	$(1,979)	$7,333	$7,686	$4,301
Income (loss) from continuing operations, net of tax	$15,670	$10,828	$25,089	$10,685	$(49,061)
Net income (loss) attributable to Unifi, Inc. (1)	$16,635	$11,491	$25,089	$10,685	$(48,996)
Per common share:					
Net income (loss) from continuing operations attributable to Unifi, Inc.					
Basic (2)	$0.84	$0.57	$1.25	$0.53	$(2.38)
Diluted (2)	$0.80	$0.56	$1.22	$0.52	$(2.38)
Cash Flow Data:					
Net cash provided by continuing operations	$50,509	$43,309	$11,880	$20,581	$16,960
Depreciation and amortization expenses	$24,584	$27,135	$25,977	$27,416	$32,473

Capital expenditures	$8,809	$6,354	$20,539	$13,112	$15,259
Dividends received from unconsolidated affiliates	$14,940	$10,616	$5,900	$3,265	$3,688
Cash dividends declared per common share	$—	$—	$—	$—	$—

	June 30, 2013	June 24, 2012	June 26, 2011	June 27, 2010	June 28, 2009
Balance Sheet Data:					
Cash and cash equivalents	$8,755	$10,886	$27,490	$42,691	$42,659
Property, plant and equipment, net	115,164	127,090	151,027	151,499	160,643
Total assets	455,466	482,233	537,376	504,512	476,932
Total debt	97,753	121,552	168,664	179,390	180,259
Shareholders’ equity	286,480	290,780	299,655	259,896	244,969
Working capital (5)	161,885	166,485	212,969	174,464	175,808

(1) Amounts are net of discontinued operations and non-controlling interest for the years presented.

(2) All amounts per share have been retroactively adjusted to reflect the November 3, 2010 1-for-3 reverse stock split.

(3) Operating income (loss) for fiscal year 2009 is inclusive of impairment charges of $18,930 primarily related to goodwill impairment charges caused by difficult market conditions and a decline in the Company’s market capitalization.

(4) For fiscal year 2012, the Company released previously recorded valuation allowances against certain of its domestic deferred tax assets, resulting in a $6,017 benefit recorded to income tax expense.

(5) Working capital represents current assets less current liabilities.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview and Significant General Matters

The Company processes and sells high-volume commodity yarns, specialized yarns designed to meet certain customer specifications, and PVA yarns with enhanced performance characteristics. The Company sells yarns made from polyester and nylon to other yarn manufacturers and knitters and weavers that produce fabric for the apparel, hosiery, sock, home furnishings, automotive upholstery, industrial and other end-use markets. The Company's polyester products include Chip, POY, textured, solution and package dyed, twisted and beamed yarns; each is available in virgin or recycled varieties (made from both pre-consumer yarn waste and post-consumer waste, including plastic bottles). The Company's nylon products include textured, solution dyed and covered spandex products.

The Company maintains one of the textile industry's most comprehensive yarn product offerings, and it has ten manufacturing operations in four countries and participates in joint ventures in Israel and the U.S. The Company's principal geographic markets for its products are located in the U.S., Canada, Mexico, Central America and South America. In addition, the Company has a wholly-owned subsidiary in China focused on the sale and promotion of the Company's PVA and other specialty products in the Asian textile market, primarily in China, as well as into the European market. The Company has three operating segments which are also its reportable segments: the Polyester Segment, the Nylon Segment and the International Segment.

Business Strategy

The Company has focused on its core strategies, which include: continuously improving all operational and business processes; enriching its product mix by growing its higher margin PVA product portfolio and increasing sales of yarns with regional rules of origin requirements; continuing its strategic penetration in global growth markets, such as China, Central America and Brazil; and maintaining its beneficial joint venture relationships. The Company's focus on these strategies over the past several years, along with the other matters summarized below in this section, have played major roles in the Company's operating results and financial condition for the past three years. Going forward, the Company expects to continue its support of these strategies, including through possible investments in selected product and geographic development opportunities related to its core business.

Completion of the Company's Deleveraging Strategy

During fiscal year 2013, the Company successfully completed its multi-year deleveraging strategy, which has substantially lowered the Company’s debt levels and its annual interest expense. Since June 27, 2010, the Company has reduced its total debt by approximately $80,000, lowered its overall weighted average interest rate to approximately 3.4% (from 11.5%) and reduced its expected annual interest expense by approximately $18,000 per year.

Stock Repurchase Program

During fiscal year 2013, the Board approved a new stock repurchase program to acquire up to $50,000 worth of the Company’s common stock. As of September 3, 2013, the Company has repurchased 1,208 shares at an average per share price of $18.66 under this stock repurchase program. The Company will continue to evaluate opportunities to use excess cash flow from operations or borrowings under its ABL Revolver to repurchase additional stock, while maintaining the necessary liquidity to support its operational needs and fund future growth opportunities.

Raw Materials

Average polyester raw material costs declined during the Company’s first and fourth fiscal quarters of fiscal year 2013, while rising during the second and third fiscal quarters. Average polyester raw material costs for fiscal year 2013 declined approximately $0.03 per pound from the average costs for fiscal year 2012. The gap in polymer pricing between the U.S. and Asia was approximately $0.13 per pound for the quarter ended June 30, 2013 and has been above $0.10 per pound for seven consecutive quarters. The Company expects the gap during fiscal year 2014 to remain at or near the level of fiscal year 2013. This raw material price gap, along with cheap import pricing, continues to place sales volume and margin pressure on the low end of the Company’s product offering that typically competes with imported polyester yarns. However, the success that the Company has had with its mix enrichment strategy has lessened the impact of such pressures over the past few years.

Brazil

Throughout fiscal year 2013, the Company’s Brazilian subsidiary was negatively impacted by rising raw material costs; continued imports of fiber, fabric and finished goods, which placed pressure on the lower end of the Company’s textured yarn product offerings; the inflation rate in Brazil, which adversely affected the Company’s converting costs; and changes to an existing value-added tax incentive benefit for local manufacturers.

China

The operating results for the Company’s Chinese subsidiary improved significantly for fiscal year 2013. Despite the Company’s belief that the current market conditions are soft and capacity utilization rates are low throughout the Chinese textile industry, interest and demand for the Company’s PVA products in the region remains robust, and the Company is encouraged by sales opportunities that are either in development or under consideration with key brands. The Company also believes that improving demand for its PVA products in Europe will present new growth opportunities for its operations in China. As a result, the Company has hired a sales agent located in Europe to market more effectively to brands and retailers located there.

Investment in Central America

The CAFTA region, which continues to be a competitive alternative to Asian supply chains, has in recent years maintained its share of synthetic apparel supply to U.S. retailers and continues to see new investments being made there. The share of synthetic apparel versus cotton apparel continues to increase and has provided growth for the consumption of synthetic yarns within the CAFTA region. The Company’s plant in El Salvador is running at or near capacity, and the Company expects to begin the process of relocating two additional texturing machines to El Salvador to take advantage of the long-term volume opportunities in this region.

Key Performance Indicators and Non-GAAP Financial Measures

The Company continuously reviews performance indicators to measure its success. The following are the indicators management uses to assess performance of the Company’s business:

sales volume for the Company and for each of its reportable segments;

unit conversion margin, which represents unit net sales price less unit raw material costs, for the Company and for each of its reportable segments;

gross profit and gross margin for the Company and for each of its reportable segments;

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), which represents net income or loss attributable to Unifi, Inc. before net interest expense, income tax expense and depreciation and amortization expense (excluding interest portion of amortization);

Adjusted EBITDA Including Equity Affiliates, which represents EBITDA adjusted to exclude non-cash compensation expense net of distributions, gains or losses on extinguishment of debt, loss on previously held equity interest and certain other adjustments. Such other adjustments include operating expenses for Repreve Renewables, restructuring charges and start-up costs, gains or losses on sales or disposals of property, plant and equipment, currency and derivative gains or losses, certain employee healthcare expenses, and other operating or non-operating income or expense items necessary to understand and compare the underlying results of the Company;

Adjusted EBITDA, which represents Adjusted EBITDA Including Equity Affiliates adjusted to exclude equity in earnings and losses of unconsolidated affiliates. The Company may, from time to time, change the items included within Adjusted EBITDA;

Segment Adjusted Profit, which equals segment gross profit, plus segment depreciation and amortization, less segment selling, general and administrative expenses ("SG&A"), net of segment other adjustments;

Adjusted Working Capital (receivables plus inventory, less accounts payable and certain accrued expenses), which is an indicator of the Company's production efficiency and ability to manage its inventory and receivables; and

Working Capital, which represents current assets less current liabilities.

EBITDA, Adjusted EBITDA Including Equity Affiliates, Adjusted EBITDA, Segment Adjusted Profit and Adjusted Working Capital are financial measurements that management uses to facilitate its analysis and understanding of the Company’s business operations. Management believes they are useful to investors because they provide a supplemental way to understand the underlying operating performance and debt service capacity of the Company. The calculations of EBITDA, Adjusted EBITDA Including Equity Affiliates, Adjusted EBITDA, Segment Adjusted Profit and Adjusted Working Capital are subjective measures based on management’s belief as to which items should be included or excluded in order to provide the most reasonable view of the underlying operating performance of the business. EBITDA, Adjusted EBITDA Including Equity Affiliates, Adjusted EBITDA, Segment Adjusted Profit and Adjusted Working Capital are not determined in accordance with generally accepted accounting principles (“GAAP”) and should not be considered a substitute for performance measures determined in accordance with GAAP.

Results of Operations

Fiscal year 2013 is comprised of 53 weeks, while fiscal years 2012 and 2011 contained 52 weeks. The following table presents a summary of net income attributable to Unifi, Inc.:

	For the Fiscal Years Ended		
	June 30, 2013	**June 24, 2012**	**June 26, 2011**
Net sales	$713,962	$705,086	$712,812
Cost of sales	640,858	650,690	638,160
Gross profit	73,104	54,396	74,652
Selling, general and administrative expenses	47,386	43,482	44,659
(Benefit) provision for bad debts	(154)	211	(304)
Other operating expense, net	3,409	2,071	1,605
Operating income	22,463	8,632	28,692
Interest expense, net	3,791	14,152	16,679
Loss on extinguishment of debt	1,102	3,203	3,337
Loss on previously held equity interest	—	3,656	—
Other non-operating (income) expense	—	(1,488)	606
Equity in earnings of unconsolidated affiliates	(11,444)	(19,740)	(24,352)
Income before income taxes	29,014	8,849	32,422
Provision (benefit) for income taxes	13,344	(1,979)	7,333
Net income including non-controlling interest	15,670	10,828	25,089
Less: net (loss) attributable to non-controlling interest	(965)	(663)	—
Net income attributable to Unifi, Inc.	$16,635	$11,491	$25,089

The reconciliations of net income attributable to Unifi, Inc. to EBITDA, Adjusted EBITDA Including Equity Affiliates and Adjusted EBITDA are as follows:

For the Fiscal Years Ended

	June 30, 2013	June 24, 2012	June 26, 2011
Net income attributable to Unifi, Inc.	$16,635	$11,491	$25,089
Provision (benefit) for income taxes	13,344	(1,979)	7,333
Interest expense, net	3,791	14,152	16,679
Depreciation and amortization expense	23,860	26,225	25,562
EBITDA	$57,630	$49,889	$74,663
Loss on extinguishment of debt	1,102	3,203	3,337
Loss on previously held equity interest	—	3,656	—
Non-cash compensation expense, net of distributions	2,287	2,382	1,361
Other	3,075	410	5,451
Adjusted EBITDA Including Equity Affiliates	$64,094	$59,540	$84,812
Equity in earnings of unconsolidated affiliates	(11,444)	(19,740)	(24,352)
Adjusted EBITDA	$52,650	$39,800	$60,460

The reconciliations of Adjusted EBITDA to Segment Adjusted Profit are as follows:

	For the Fiscal Years Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
Adjusted EBITDA	$52,650	$39,800	$60,460
Non-cash compensation expense, net of distributions	(2,287)	(2,382)	(1,361)
(Benefit) provision for bad debts	(154)	211	(304)
Bad debt recovery adjustment	383	—	—
Other, net (excluding depreciation)	(174)	(292)	(248)
Segment Adjusted Profit	$50,418	$37,337	$58,547

Segment Adjusted Profit by reportable segment is as follows:

	For the Fiscal Years Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
Polyester	$23,900	$12,913	$20,660
Nylon	11,437	11,227	14,055
International	15,081	13,197	23,832
Total Segment Adjusted Profit	$50,418	$37,337	$58,547

Selected financial information for the Polyester, Nylon and International Segments is presented below:

	For the Fiscal Year Ended June 30, 2013			
	Polyester	Nylon	International	Total
Net sales	$398,707	$164,085	$ 151,170	$713,962
Cost of sales	363,545	146,033	131,280	640,858
Gross profit	35,162	18,052	19,890	73,104
Selling, general and administrative expenses	29,114	9,930	8,342	47,386
Restructuring recoveries	—	(135)	—	(135)
Other operating expense, net	—	42	—	42
Segment operating profit	$6,048	$8,215	$ 11,548	$25,811

	For the Fiscal Year Ended June 24, 2012			
	Polyester	Nylon	International	Total
Net sales	$393,981	$163,103	$ 148,002	$705,086
Cost of sales	374,308	146,147	130,235	650,690
Gross profit	19,673	16,956	17,767	54,396
Selling, general and administrative expenses	25,668	8,851	8,963	43,482
Restructuring charges	—	71	—	71

Segment operating (loss) profit	$(5,995)	$8,034	$ 8,804	$10,843

	For the Fiscal Year Ended June 26, 2011			
	Polyester	**Nylon**	**International**	**Total**
Net sales	$375,605	$163,354	$ 173,853	$712,812
Cost of sales	350,859	143,591	143,710	638,160
Gross profit	24,746	19,763	30,143	74,652
Selling, general and administrative expenses	25,717	8,845	10,097	44,659
Restructuring charges (recoveries)	1,576	(92)	—	1,484
Segment operating (loss) profit	$(2,547)	$11,010	$ 20,046	$28,509

The reconciliations of Segment depreciation and amortization expense to consolidated depreciation and amortization expense are as follows:

	For the Fiscal Years Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
Polyester	$17,234	$19,046	$18,470
Nylon	3,070	3,089	3,287
International	3,418	4,011	3,786
Segment depreciation and amortization expense	23,722	26,146	25,543
Depreciation and amortization included in other operating expense, net	230	119	19
Amortization included in interest expense	632	870	415
Depreciation and amortization expense	$24,584	$27,135	$25,977

Segment other adjustments for each of the reportable segments consist of the following:

	For the Fiscal Years Ended		
	June 30, 2013	June 24, 2012	June 26, 2011
Polyester	$618	$(138)	$3,161
Nylon	245	33	(150)
International	115	382	—
Segment other adjustments	$978	$277	$3,011

Segment other adjustments include severance charges, restructuring charges and recoveries, start-up costs, certain employee healthcare costs and other adjustments necessary to understand and compare the underlying results of the segment.

Review of Fiscal Year 2013 Results of Operations Compared to Fiscal Year 2012

Consolidated Overview

The components of net income attributable to Unifi, Inc., each component as a percentage of net sales, and the percentage increase or decrease over the prior year amounts are presented in the table below. Fiscal year 2013 is comprised of 53 weeks, while fiscal year 2012 contained 52 weeks.

	For the Fiscal Years Ended				
	June 30, 2013		June 24, 2012		
		% to Net Sales		% to Net Sales	% Change
Net sales	$713,962	100.0	$705,086	100.0	1.3
Cost of sales	640,858	89.8	650,690	92.3	(1.5)
Gross profit	73,104	10.2	54,396	7.7	34.4
Selling, general and administrative expenses	47,386	6.6	43,482	6.2	9.0
(Benefit) provision for bad debts	(154)	—	211	—	(173.0)
Other operating expense, net	3,409	0.5	2,071	0.3	64.6
Operating income	22,463	3.1	8,632	1.2	160.2
Interest expense, net	3,791	0.5	14,152	2.0	(73.2)
Loss on extinguishment of debt	1,102	0.1	3,203	0.4	(65.6)
Loss on previously held equity interest	—	—	3,656	0.5	(100.0)
Other non-operating (income)	—	—	(1,488)	(0.1)	(100.0)
Earnings from unconsolidated affiliates	(11,444)	(1.6)	(19,740)	(2.8)	(42.0)
Income before income taxes	29,014	4.1	8,849	1.2	227.9
Provision (benefit) for income taxes	13,344	1.9	(1,979)	(0.3)	(774.3)
Net income including non-controlling interest	15,670	2.2	10,828	1.5	44.7
Less: net (loss) attributable to non-controlling interest	(965)	(0.1)	(663)	(0.1)	45.6
Net income attributable to Unifi, Inc.	$16,635	2.3	$11,491	1.6	44.8

Consolidated Net Sales

Net sales for fiscal year 2013 increased by $8,876, or 1.3%, as compared to the prior fiscal year. Consolidated sales volume increased by 4.2%, with volume improvements in all of the Company's reportable segments. The increase in volumes reflects growth in the U.S. apparel market as well as improvements in the U.S. automotive and home furnishings markets. Sales volume increased in Brazil despite continued pressure from low-priced imported textured yarn, and volume improved in China as a result of increases in PVA product sales. The weighted average selling price decreased 2.9% primarily due to sales price adjustments related to declines in the cost of raw materials in the Polyester Segment, a shift in mix towards products that carry a lower average selling price in the Nylon Segment, and lower weighted average sales prices in Brazil on a U.S. dollar basis because of currency translation from the Brazilian Real, which weakened against the U.S. dollar in fiscal year 2013 (on a local currency basis, the weighted average sales price in Brazil increased in fiscal year 2013 over the prior year).

Consolidated Gross Profit

Gross profit for fiscal year 2013 increased by $18,708, or 34.4%, as compared to the prior fiscal year. Gross profit increased primarily due to improved sales volumes in all reportable segments, mix enrichment as a result of increased PVA sales and increased unit conversion margin in the Polyester Segment. In addition, gross profit was favorably impacted by lower unit manufacturing costs in the domestic operations as a result of higher utilization rates and cost improvement programs.

Polyester Segment Gross Profit

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

	For the Fiscal Years Ended				
	June 30, 2013		**June 24, 2012**		
		% to Net Sales		**% to Net Sales**	**% Change**
Net sales	$398,707	100.0	$393,981	100.0	1.2
Cost of sales	363,545	91.2	374,308	95.0	(2.9)
Gross profit	$35,162	8.8	$19,673	5.0	78.7

The increase in gross profit of $15,489 was primarily a result of increased sales volume, mix enrichment due to growth of PVA product sales, higher per unit conversion margin and lower unit manufacturing costs. Volumes increased 2.5% over the prior fiscal year primarily as a result of increased demand in the U.S. apparel market, which were adversely impacted in the prior fiscal year by weak demand due to inventory destocking in the apparel supply chain. The growth in PVA product sales was driven primarily by REPREVE®, which had several new programs adopted by leading brands and retailers. The segment experienced overall lower average raw material costs as compared with the prior year, which allowed it to recover previously lost unit conversion margin. Unit manufacturing costs were lower as a result of efficiency gains accomplished through process improvements and higher utilization rates.

Polyester Segment net sales and gross profit as a percentage of total consolidated amounts were 55.8% and 48.1% for fiscal year 2013, compared to 55.9% and 36.2% for fiscal year 2012, respectively.

Nylon Segment Gross Profit

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

	For the Fiscal Years Ended				
	June 30, 2013		**June 24, 2012**		
		% to Net Sales		**% to Net Sales**	**% Change**
Net sales	$164,085	100.0	$163,103	100.0	0.6
Cost of sales	146,033	89.0	146,147	89.6	(0.1)
Gross profit	$18,052	11.0	$16,956	10.4	6.5

The increase in gross profit of $1,096 was due to increased volumes and lower unit manufacturing costs. Sales volumes increased 3.9% over the prior fiscal year primarily due to increased demand in the legwear market. Average unit conversion margin remained flat as compared with the prior year. Unit manufacturing costs were slightly lower as a result of higher utilization rates and cost improvement initiatives.

Nylon Segment net sales and gross profit, as a percentage of total consolidated amounts, were 23.0% and 24.7% for fiscal year 2013, compared to 23.1% and 31.2% for fiscal year 2012, respectively.

International Segment Gross Profit

The components of segment gross profit, each component as a percentage of net sales, and the percentage increase or decrease over the prior year amounts for the International Segment are as follows:

	For the Fiscal Years Ended				
	June 30, 2013		**June 24, 2012**		
		% to Net Sales		**% to Net Sales**	**% Change**
Net sales	$151,170	100.0	$148,002	100.0	2.1
Cost of sales	131,280	86.8	130,235	88.0	0.8
Gross profit	$19,890	13.2	$17,767	12.0	11.9

Gross profit for the International Segment increased $2,123 from the prior year as a result of improvement in both the Brazilian and Chinese operations. Despite continued competition from low-priced yarn imports, the Brazilian operation increased its sales volumes 5.4% over the prior year. The Company's focus on mix enrichment resulted in increased sales of PVA product for the Brazilian operation, which also favorably impacted margins. The adverse impact of the loss of certain tax incentives for local producers during fiscal year 2013 was offset by POY duty reductions implemented by the Brazilian government (which reduce the subsidiary's raw material cost) and price increases implemented to recover margins due to the negative effects of the changes in the local incentive programs. In local currency, gross profit for Brazil increased 18.7%; however, when translated to U.S. dollars, gross profit increased only 5.2% as a result of the weakening of the Brazilian Real against the U.S. dollar.

Gross profit improvement in the Chinese operation was driven by a 22.2% increase in sales volume and higher margins as a result of increased PVA product sales.

International Segment net sales and gross profit as a percentage of total consolidated amounts were 21.2% and 27.2% for fiscal year 2013, compared to 21.0% and 32.6% for fiscal year 2012, respectively.

Consolidated Selling General & Administrative Expenses

SG&A expenses increased in total and as a percentage of net sales for fiscal year 2013 when compared to fiscal year 2012. The increase was primarily a result of higher fringe benefit costs related to certain variable compensation plans; consumer marketing and branding initiatives; community relations expenses; and professional fees. These increases were partially offset by reductions in deferred compensation, insurance, amortization and other administrative expenses.

Consolidated (Benefit) Provision for Bad Debts

The benefit for bad debt expense was $154 for fiscal year 2013, as compared to a provision of $211 recorded for fiscal year 2012. The Company received a $383 recovery of accounts previously written off, which is included in the current year benefit. For fiscal year 2013, there were no significant changes in the Company's allowance for uncollectible accounts, as the aging of customer receivables and provisions for certain risk accounts remained relatively unchanged from fiscal year 2012.

Consolidated Other Operating Expense, Net

The components of other operating expense consist of the following:

	For the Fiscal Years Ended	
	June 30, 2013	June 24, 2012
Operating expenses for Repreve Renewables	$2,396	$1,633
Net loss on sale or disposal of assets	243	369
Foreign currency transaction (gains) losses	(132)	270
Restructuring charges, net	813	71
Other, net	89	(272)
Total other operating expense, net	$3,409	$2,071

Consolidated Interest Expense, Net

Net interest expense decreased from $14,152 for fiscal year 2012 to $3,791 for fiscal year 2013. This favorable decline in interest expense was due to a lower average outstanding debt balance, a lower weighted average interest rate and an unrealized marked to market gain on a de-designated interest rate swap. The decrease in outstanding debt was primarily a result of the Company's repayment of all amounts outstanding under the Term B Loan and scheduled payments made on the ABL Term Loan. The weighted average interest rate of the Company's outstanding debt obligations declined from 9.8% for fiscal year 2012 to 3.9% for fiscal year 2013 as a result of the significantly lower borrowing rates realized from the debt refinancing in May 2012.

Consolidated Other Non-Operating (Income)

For fiscal year 2012, other non-operating income consists of a $1,488 gain from the Company's Brazilian operation related to a refund of non-income related taxes plus interest.

Consolidated Earnings from Unconsolidated Affiliates

For fiscal year 2013, the Company generated $29,014 of income before income taxes, of which $11,444 was generated from its investments in unconsolidated affiliates. For fiscal year 2012, the Company generated $8,849 of income before income taxes, of which $19,740 was generated from its investments in unconsolidated affiliates. The Company's 34% share of PAL's earnings decreased from $19,360 in fiscal year 2012 to $9,481 in fiscal year 2013 primarily caused by margin pressures related to the softness in the cotton apparel market during the first half of fiscal year 2013 and differences related to the timing of earnings recognized under the Farm Bill's economic adjustment payments program, as well as the rebate level dropping from four cents per pound to three cents per pound in August 2012. The remaining change in earnings of unconsolidated affiliates relates primarily to the improved operating results of UNF and UNF America, which was primarily driven by higher utilization rates.

Consolidated Income Taxes

The components of income before income taxes consist of the following:

	For the Fiscal Years Ended	
	June 30, 2013	**June 24, 2012**
United States	$16,900	$3,010
Foreign	12,114	5,839
Income before income taxes	$29,014	$8,849

The components of the provision (benefit) for income taxes consist of the following:

	For the Fiscal Years Ended	
	June 30, 2013	**June 24, 2012**
Federal	$9,485	$(2,276)
State	661	(3,216)
Foreign	3,198	3,513
Income tax provision (benefit)	$13,344	$(1,979)

The Company's income tax provision for fiscal year 2013 resulted in tax expense of $13,344, with an effective tax rate of 46.0%. The effective income tax rate for the period is different than the U.S. statutory rate primarily due to foreign dividends taxed in the U.S. and the timing of the Company's recognition of higher taxable versus book income for an unconsolidated affiliate for which the Company maintains a full valuation allowance.

The Company’s income tax provision for fiscal year 2012 resulted in tax benefit of $1,979, with an effective rate of (22.4%). The effective income tax rate for the period is different than the U.S. statutory rate primarily due a reduction in the valuation allowance, utilization of federal and state net operating loss carryforwards during the year, partially offset by repatriation of foreign earnings during the period as well as the tax effects of future repatriation plans.

Consolidated Net Income Attributable to Unifi, Inc.

Net income attributable to Unifi, Inc. for fiscal year 2013 was $16,635, or $0.84 per basic share, compared to $11,491, or $0.57 per basic share, for the prior fiscal year period. As discussed above, the Company’s increased profitability was primarily due to higher gross profit and lower net interest expense, as partially offset by higher SG&A expenses, higher net other operating expense, a reduction in other non-operating income, lower earnings of unconsolidated affiliates and an increase in the provision for income taxes.

Consolidated Adjusted EBITDA

Adjusted EBITDA for fiscal year 2013 increased $12,850 to $52,650 versus $39,800 for the prior fiscal year. As discussed above, the $18,708 increase in gross profit is the primary reason for the improvement.

Review of Fiscal Year 2012 Results of Operations Compared to Fiscal Year 2011

Consolidated Overview

The components of net income attributable to Unifi, Inc., each component as a percentage of net sales, and the percentage increase or decrease for fiscal year 2012 over fiscal year 2011 amounts are as follows:

	For the Fiscal Years Ended				
	June 24, 2012		**June 26, 2011**		
		% to Net Sales		**% to Net Sales**	**% Change**
Net sales	$705,086	100.0	$712,812	100.0	(1.1)
Cost of sales	650,690	92.3	638,160	89.5	2.0
Gross profit	54,396	7.7	74,652	10.5	(27.1)
Selling, general and administrative expenses	43,482	6.2	44,659	6.3	(2.6)

Provision (benefit) for bad debts	211	—	(304)	—	(169.4)
Other operating expense, net	2,071	0.3	1,605	0.2	29.0
Operating income	8,632	1.2	28,692	4.0	(69.9)
Interest expense, net	14,152	2.0	16,679	2.3	(15.1)
Loss on extinguishment of debt	3,203	0.4	3,337	0.5	(4.0)
Loss on previously held equity interest	3,656	0.5	—	—	—
Other non-operating (income) expense	(1,488)	(0.1)	606	0.1	(345.5)
Earnings from unconsolidated affiliates	(19,740)	(2.8)	(24,352)	(3.4)	(18.9)
Income before income taxes	8,849	1.2	32,422	4.5	(72.7)
(Benefit) provision for income taxes	(1,979)	(0.3)	7,333	1.0	(127.0)
Net income including non-controlling interest	10,828	1.5	25,089	3.5	(56.8)
Less: net (loss) attributable to non-controlling interest	(663)	(0.1)	—	—	—
Net income attributable to Unifi, Inc.	$11,491	1.6	$25,089	3.5	(54.2)

Consolidated Net Sales

Net sales for fiscal year 2012 decreased by $7,726, or 1.1%, as compared to the prior fiscal year. Overall, sales volume decreased by 5.9%, with sales volume decreases in each of the Company's reportable segments, primarily due to softness caused by inventory destocking across the U.S. apparel supply chain and reduced demand in Brazil as a result of increased imports of competing yarn, fabric and garments becoming more competitive alternatives. The decrease in volume was partially offset by an increase in the weighted average selling price of 4.8% due to raw material inflation and mix enrichment.

Consolidated Gross Profit

Gross profit for fiscal year 2012 decreased by $20,256, or 27.1%, as compared to the prior fiscal year. Gross profit declines were experienced in each of the Company's reportable segments due to record-high raw material prices and lower sales volumes as demand decreased for most of the Company's products due to inventory destocking within the U.S. apparel supply chain. In order to reduce inventory levels, the Company reduced production volumes below sales levels, which resulted in lower capacity utilization in its manufacturing facilities. The lower production volumes resulted in higher per unit costs. In addition, the Company's operation in Brazil was negatively impacted by less expensive imports, which created a challenging competitive environment for local production, higher average raw material costs and higher manufacturing costs due to lower utilization rates and inflationary spending increases.

Polyester Segment Gross Profit

The components of segment gross profit, each component as a percentage of net sales, and the percentage increase or decrease for fiscal year 2012 over fiscal year 2011 amounts for the Polyester Segment are as follows:

	For the Fiscal Years Ended				
	June 24, 2012		**June 26, 2011**		
		% to Net Sales		**% to Net Sales**	**% Change**
Net sales	$393,981	100.0	$375,605	100.0	4.9
Cost of sales	374,308	95.0	350,859	93.4	6.7
Gross profit	$19,673	5.0	$24,746	6.6	(20.5)

The decline in gross profit of $5,073 from fiscal year 2011 was primarily due to lower sales volume, higher manufacturing costs and lower conversion margins for certain products. The sales volume declines of approximately 3% were driven by weak demand due to increased inventory in the U.S. apparel supply chain, a widened U.S.-Asia raw material price gap and the decision of the Company to exit certain commodity business. In an effort to reduce on-hand inventory levels, the segment adjusted down its production rate during fiscal year 2012 to levels lower than the sales rate. The lower utilization and production levels created an unfavorable impact on the segment's manufacturing costs per unit sold which negatively impacted gross profit. The rise in polyester raw material costs (an increase in the average cost per pound of approximately 12% versus fiscal year 2011) negatively impacted the segment's conversion margins during fiscal year 2012 as not all cost increases could be passed along to customers.

The Polyester Segment net sales and gross profit as a percentage of total consolidated amounts were 55.9% and 36.2% for fiscal year 2012, compared to 52.7% and 33.1% for fiscal year 2011, respectively.

Nylon Segment Gross Profit

The components of segment gross profit, each component as a percentage of net sales, and the percentage increase or decrease for fiscal year 2012 over fiscal year 2011 amounts for the Nylon Segment are as follows:

	For the Fiscal Years Ended				
	June 24, 2012		**June 26, 2011**		
		% to Net Sales		**% to Net Sales**	**% Change**
Net sales	$163,103	100.0	$163,354	100.0	(0.2)
Cost of sales	146,147	89.6	143,591	87.9	1.8
Gross profit	$16,956	10.4	$19,763	12.1	(14.2)

The decline in gross profit of $2,807 from fiscal year 2011 was due to lower sales volume and higher unit manufacturing costs. The sales volume decline of approximately 10% was a result of lower shipments into the sock, hosiery and knit apparel applications resulting from inventory destocking in the U.S. apparel supply chain. The lower production and plant utilization created an unfavorable change in the segment’s manufacturing costs of approximately 4%, but allowed for a reduction of on-hand inventory units.

Nylon Segment net sales and gross profit, as a percentage of total consolidated amounts, were 23.1% and 31.2% for fiscal year 2012, compared to 22.9% and 26.5% for fiscal year 2011, respectively.

International Segment Gross Profit

The components of segment gross profit, each component as a percentage of net sales, and the percentage increase or decrease for fiscal year 2012 over fiscal year 2011 amounts for the International Segment are as follows:

	For the Fiscal Years Ended				
	June 24, 2012		**June 26, 2011**		
		% to Net Sales		**% to Net Sales**	**% Change**
Net sales	$148,002	100.0	$173,853	100.0	(14.9)
Cost of sales	130,235	88.0	143,710	82.7	(9.4)
Gross profit	$17,767	12.0	$30,143	17.3	(41.1)

For the International Segment, gross profit decreased by $12,376 from fiscal year 2011. This decline was primarily due to lower sales volume, lower conversion margins and higher unit manufacturing costs in Brazil, as well as lower sales volume and margins for the Company’s Chinese operation. Sales volume declines of approximately 9% and decreases in unit conversion margins in Brazil were due to increased imports of competing yarn, fabric and garments as imports became more competitive alternatives as a result of the local currency strengthening from January to August 2011 and a higher average cost of raw materials. The approximately 10% higher unit manufacturing costs in Brazil were due to lower capacity utilization as a result of lower production volume along with higher manufacturing costs due to inflation, salary increases and higher power costs. Gross profit declines for the Company’s Chinese subsidiary were due to the 17% decline in sales volume that was caused by a reduction in orders from the subsidiary’s largest customer as well as lower average selling margins because sales volume was weighted more heavily toward commodity goods.

The International Segment net sales and gross profit as a percentage of total consolidated amounts were 21.0% and 32.6% for fiscal year 2012, compared to 24.4% and 40.4% for fiscal year 2011, respectively.

Consolidated Selling General & Administrative Expenses

SG&A expenses decreased in total and as a percentage of net sales for fiscal year 2012 when compared to the prior period. The decrease of $1,177, or 2.6%, was primarily a result of decreases in fringe benefit and other employee related costs as well as administrative costs. The reduction in fringe benefit costs was mainly related to reductions in expenses for certain variable compensation programs of approximately $1,600. These declines were partially offset by higher non-cash deferred compensation costs as well as increased salary costs and branding initiatives.

Consolidated Provision (Benefit) for Bad Debts

The provision for bad debt expense was $211 for fiscal year 2012, as compared to a benefit of $304 recorded for fiscal year 2011. The change versus the prior year was a result of unfavorable changes in the aging of customer receivables and a higher provision for certain risk accounts.

Consolidated Other Operating Expense, Net

The components of net other operating expense consist of the following:

	For the Fiscal Years Ended	
	June 24, 2012	**June 26, 2011**
Operating expenses for Repreve Renewables	$1,633	$—
Net loss on sale or disposal of assets	369	368
Foreign currency transaction losses (gains)	270	(19)
Restructuring charges, net	71	1,484
Other, net	(272)	(228)
Total other operating expense, net	$2,071	$1,605

Consolidated Net Interest Expense

Net interest expense decreased from $16,679 for fiscal year 2011 to $14,152 for fiscal year 2012. This favorable decline in interest expense was due to both a lower average outstanding debt balance and a lower weighted average interest rate. The decreased debt balances were caused by the Company's prepayments, the completion of the debt refinancing in May 2012 and the additional prepayments of its Term B Loan obligations. The weighted average interest rate of the Company's debt for fiscal year 2012 was

9.8% versus 11.0% for the prior fiscal year and was favorably impacted by lower average interest rates which resulted from the debt refinancing.

Loss on Extinguishment of Debt

For fiscal year 2012, the Company incurred charges in the amount of $3,203 related to the refinancing and redemption of outstanding debt obligations as compared to the previous year amount of $3,337.

Loss on Previously Held Equity Interest

On October 6, 2011, the Company and one other existing Renewables member each acquired an additional 20% membership interest from the third Renewables member for $500. As a result of re-measuring the Company's 40% interest to its estimated fair value, the Company recorded a non-operating loss of $3,656 during the fiscal quarter ended December 25, 2011.

Consolidated Net Other Non-Operating (Income) Expense

For fiscal year 2012, other non-operating (income) expense consists of a gain of $1,488 from the Company's Brazilian operation related to a refund of non-income related taxes plus interest. For fiscal year 2011, other non-operating expense consists primarily of $528 for costs associated with an unsuccessful debt refinancing.

Consolidated Earnings from Unconsolidated Affiliates

For fiscal year 2012, the Company generated $8,849 of income before income taxes, of which $19,740 was generated from its investments in unconsolidated affiliates. For fiscal year 2012, earnings from the Company's unconsolidated equity affiliates were $19,740 compared to $24,352 for fiscal year 2011. The Company's 34% share of PAL's earnings decreased from $22,655 in fiscal year 2011 to $19,360 in fiscal year 2012 primarily due to lower sales volumes caused by the inventory destocking within the apparel supply chain. The remaining decrease in the earnings of unconsolidated affiliates relates primarily to the lower operating results of UNF and UNF America, which was primarily driven by decreased sales volume and lower capacity utilization.

Consolidated Income Taxes

The components of income before income taxes consist of the following:

	For the Fiscal Years Ended	
	June 24, 2012	June 26, 2011
United States	$3,010	$14,737
Foreign	5,839	17,685
Income before income taxes	$8,849	$32,422

The components of the (benefit) provision for income taxes consist of the following:

	For the Fiscal Years Ended	
	June 24, 2012	June 26, 2011
Federal	$(2,276)	$3
State	(3,216)	—
Foreign	3,513	7,330
(Benefit) provision for income taxes	$(1,979)	$7,333

The Company’s income tax provision for fiscal year 2012 resulted in an income tax benefit at an effective tax rate of (22.4%) compared to the 22.6% effective tax rate for fiscal year 2011. The differences between the Company’s effective tax rate and the U.S. statutory rate for fiscal year 2012 were primarily due to the benefits of the reversal of a portion of the Company’s previously recorded valuation allowance against certain of its domestic deferred tax assets and the utilization of federal and state net operating loss carryforwards during the year, which were partially offset by fiscal year 2012 repatriation of foreign earnings and the tax effect of changes in future repatriation plans.

Consolidated Net Income Attributable to Unifi, Inc.

Net income attributable to Unifi, Inc. for fiscal year 2012 was $11,491, or $0.57 per basic share, compared to net income attributable to Unifi, Inc. of $25,089, or $1.25 per basic share, for the prior fiscal year. The Company's decreased profitability was primarily due to lower gross profits, lower earnings from unconsolidated affiliates and the loss on the previously held equity interest in Renewables, which were partially offset by lower SG&A expenses, lower interest costs and income tax benefits related to the release of a valuation allowance against certain domestic deferred tax assets.

Consolidated Adjusted EBITDA

Adjusted EBITDA for fiscal year 2012 decreased $20,660 versus the prior fiscal year. As discussed above, the $20,256 reduction in gross profit is the primary reason for the year over year decline in Adjusted EBITDA.

Liquidity and Capital Resources

The Company's primary capital requirements are for working capital, capital expenditures, debt service and its stock repurchase program. The Company's primary sources of capital are cash generated from operations and borrowings available under its ABL Revolver. For fiscal year 2013, cash generated from operations was $50,509, and at June 30, 2013, excess availability under the ABL Revolver was $36,105.

As of June 30, 2013, all of the Company's debt obligations, with the exception of a term loan from one of the Company's unconsolidated affiliates, were guaranteed by its domestic subsidiaries, while a substantial portion of the Company's cash and cash equivalents were held by its foreign subsidiaries. For the Company's U.S., Brazilian and other foreign subsidiaries, the following table presents a summary of cash and cash equivalents, liquidity, working capital and total debt obligations as of June 30, 2013:

	U.S.	**Brazil**	**All Others**	**Total**
Cash and cash equivalents	$645	$2,571	$5,539	$8,755
Borrowings available under ABL Revolver	36,105	—	—	36,105
Liquidity	$36,750	$2,571	$5,539	$44,860
Working capital	$90,961	$48,536	$22,388	$161,885

Total debt obligations	$96,503	$—	$1,250	$97,753