ConforMIS Inc
Form SC 13G
February 12, 2016

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Schedule 13G

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULES 13d-1 (b), (c) AND (d) AND AMENDMENTS THERETO FILED PURSUANT TO 13d-2 (b)

(Amendment No.)*

ConforMIS, Inc.

(Name of Issuer)

Common Shares, $0.00001 par value per share

(Title of Class of Securities)

20717E101

(CUSIP Number)

December 31, 2015

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

¨ Rule 13d-1(b)

¨ Rule 13d-1(c)

x Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1	NAME OF REPORTING PERSONS I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (Entities Only). aeris CAPITAL Archer L.P. (Aeris)		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions) (a) ¨ (b) x		
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION Cayman Islands		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	SOLE VOTING POWER 1,670,971 shares.	
	6	SHARED VOTING POWER 0	
	7	SOLE DISPOSITIVE POWER 1,670,971 shares.	
	8	SHARED DISPOSITIVE POWER 0	
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 1,670,971 shares		
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions) ¨		

11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)
	4.1%
12	TYPE OF REPORTING PERSON (See Instructions)
	PN

1	NAME OF REPORTING PERSONS I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (Entities Only). SGR Sagittarius Holding AG (SGR)		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions) (a) ¨ (b) x		
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION Cayman Islands		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	SOLE VOTING POWER 2,203,942 shares.	
	6	SHARED VOTING POWER 0	
	7	SOLE DISPOSITIVE POWER 2,203,942 shares.	
	8	SHARED DISPOSITIVE POWER 0	
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 2,203,942 shares		
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions) ¨		

11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)
	5.4%
12	TYPE OF REPORTING PERSON (See Instructions)
	CO

ITEM 1(A). NAME OF ISSUER
ConforMIS, Inc. (the Issuer)

ITEM 1(B). ADDRESS OF ISSUER S PRINCIPAL EXECUTIVE OFFICES
28 Crosby Drive

Bedford, MA 01730

ITEM 2(A). NAME OF PERSONS FILING
This joint statement on Schedule 13G is filed by aeris CAPITAL Archer L.P. (Aeris) and SGR Sagittarius Holding AG (SGR), who are collectively referred to herein as the Reporting Persons . The Reporting Persons have entered into a Joint Filing Agreement, dated as of the date hereof, a copy of which is filed with this Schedule 13G as Exhibit 1 (which is incorporated herein by reference), pursuant to which the Reporting Persons have agreed to file this statement jointly in accordance with the provisions of Rule 13d-1(k) under the Act.

ITEM 2(B). ADDRESS OF PRINCIPAL BUSINESS OFFICE
The principal business office of Aeris is c/o Avalon Trust & Corporate Services, Ltd., Landmark Sq, 1st Floor, 64 Earth Close, PO Box 715, Grand Cayman, KY1-1107, Cayman Islands. The principal business office of SGR is Brügglistrasse 2, 8852 Altendorf, Switzerland.

ITEM 2(C) CITIZENSHIP
Aeris is a Cayman Island limited partnership.

SGR is a corporation organized in Switzerland

ITEM 2(D) TITLE OF CLASS OF SECURITIES
Shares of Common Stock, 0.00001 par value per share (Common Stock)

ITEM 2(E) CUSIP NUMBER
20717E101

ITEM 3. Not Applicable.

ITEM 4. OWNERSHIP

As of December 31, 2015, the Reporting Persons, in the aggregate beneficially own 3,874,913 shares of Common Stock of the Issuer, representing approximately 9.5% of such class of securities. The beneficial ownership of each Reporting Person is as follows: (i) Aeris beneficially owns 1,462,640 shares of Common Stock of the Issuer and warrants to purchase 208,331 shares of Common Stock of the Issuer representing approximately 4.1% of the class and (ii) SGR beneficially owns 1,912,277 shares of Common Stock of the Issuer and warrants to purchase 291,665 shares of Common Stock of the Issuer representing approximately 5.4% of the Class. The percentage of Common Stock beneficially owned by the Reporting Person is based on a total of 40,712,347 shares of Common Stock outstanding as of October 30, 2015, as reported in the Issuer s quarterly report on Form 10-Q for the fiscal quarter ending September 30, 2015, plus the number of shares of Common Stock able to be acquired by the Reporting Persons within 60 days of the date of this filing.

ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS

Not applicable

ITEM 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON.

Under certain circumstances set forth in the limited partnership agreement of Aeris, the general and limited partners of such entity may be deemed to have the right to receive dividends from, or the proceeds from, the sale of shares of the Issuer owned by each such entity of which they are a partner or member, as the case may be.

ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY

Not applicable.

ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP.

Not applicable.

ITEM 9. NOTICE OF DISSOLUTION OF GROUP.

Not applicable.

ITEM 10. CERTIFICATION.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 11, 2016

SGR Sagittarius Holding AG

By: /s/ Sonja Frech, /s/ Manuel Werder
Name: Sonja Frech, Manuel Werder
Title: Directors

aeris CAPITAL Archer L.P.

By: /s/ Ralph Woodford
Name: Ralph Woodford
Title: Director

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For the Six Months Ended

December 28, 2014

December 29, 2013

December 28, 2014

December 29, 2013

Stock options

$499 $282 $963 $438

RSUs

539 670 601 773

Total compensation cost

$1,038 $952 $1,564 $1,211

The total income tax benefit recognized for stock-based compensation was $413 and $376 for the six months ended December 28, 2014 and December 29, 2013, respectively.

As of December 28, 2014, total unrecognized compensation costs related to all unvested stock-based compensation arrangements was $2,394. The weighted average period over which these costs are expected to be recognized is 2.3 years.

As of December 28, 2014, a summary of the number of securities remaining available for future issuance under equity compensation plans is as follows:

Authorized under the 2013 Plan	1,000
Plus: Awards expired, forfeited or otherwise terminated unexercised from the 2008 LTIP	—
Less: Service-condition options granted	(155)
Less: RSUs granted to non-employee directors	(42)
Available for issuance under the 2013 Plan	803

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

Financial Instruments

The Company may use derivative financial instruments such as foreign currency forward contracts or interest rate swaps to reduce its ongoing business exposures to fluctuations in foreign currency exchange rates or interest rates. The Company does not enter into derivative contracts for speculative purposes.

Foreign currency forward contracts

The Company may enter into foreign currency forward contracts as economic hedges for exposures related to certain sales, inventory purchases and equipment purchases which are denominated in currencies that are not its functional currency. Foreign currency forward contracts are not designated as hedges by the Company and are marked to market each period and offset by the foreign exchange (gains) losses included in other operating expense, net resulting from the underlying exposures of the foreign currency denominated assets and liabilities. As of December 28, 2014, there were no outstanding foreign currency forward contracts.

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Unifi, Inc.

Notes to Condensed Consolidated Financial Statements – (Continued)

Interest rate swap

On May 18, 2012, the Company entered into a five year, $50,000 interest rate swap with Wells Fargo to provide a hedge against the variability of cash flows related to LIBOR-based variable rate borrowings under the Company's ABL Facility. It increased to $85,000 in May 2013 (when certain other interest rate swaps terminated) and decreases $5,000 per quarter beginning in August 2013 until the balance again reaches $50,000 in February 2015, where it will remain through the life of the instrument. This interest rate swap allows the Company to fix LIBOR at 1.06% and terminates on May 24, 2017. At December 28, 2014, the notional amount of the interest rate swap was $55,000.

On November 26, 2012, the Company de-designated the interest rate swap as a cash flow hedge. For the year-to-date periods ended December 28, 2014 and December 29, 2013, the Company reclassified pre-tax unrealized losses of $193 and $300 from accumulated other comprehensive loss to interest expense, respectively. The Company has recognized a pre-tax mark-to-market gain of $246 and $8 within interest expense for the six months ended December 28, 2014 and December 29, 2013, respectively, related to this interest rate swap. See "Note 18. Accumulated Other Comprehensive Loss" for further discussion of the reclassifications of unrealized losses from accumulated other comprehensive loss.

Contingent consideration

On December 2, 2013, the Company acquired certain assets in a business combination with Dillon and recorded a contingent consideration liability, as described in "Note 4. Acquisition." The fair value of the contingent consideration is measured at each reporting period using a discounted cash flow methodology based on inputs not observable in the market (Level 3 classification in the fair value hierarchy). The inputs to the discounted cash flow model include the estimated payments through the term of the agreement based on an agreed-upon definition and schedule, adjusted to risk-neutral estimates using a market price of risk factor which considers relevant metrics of comparable entities, discounted using an observable cost of debt over the term of the estimated payments. Any change in the fair value from either the passage of time or events occurring after the acquisition date is recorded in other operating expense, net. As of December 28, 2014, a recent decline in actual sales volume versus forecasted sales volume has been considered in reflecting a slight decrease in expected future payments, while no other inputs and assumptions used to develop the fair value measurement have changed since the acquisition date.

A reconciliation of the changes in the fair value follows:

Contingent consideration as of June 29, 2014	$2,563

Change in fair value	(43)
Payments	(358)
Contingent consideration as of December 28, 2014	$2,162

Based on the present value of the expected future payments, $525 is reflected in accrued expenses and $1,637 is reflected in other long-term liabilities.

The Company's financial assets and liabilities accounted for at fair value on a recurring basis and the level within the fair value hierarchy used to measure these items are as follows:

As of December 28, 2014	**Notional Amount**		**USD Equivalent**	**Balance Sheet Location**	**Fair Value Hierarchy**	**Fair Value**
Foreign currency contracts	EUR	—	$ —	Other current assets	Level 2	$—
Interest rate swap	USD	$55,000	$ 55,000	Other long-term liabilities	Level 2	$117
Contingent consideration		—	—	Accrued expenses and other long-term liabilities	Level 3	$2,162

As of June 29, 2014	**Notional Amount**		**USD Equivalent**	**Balance Sheet Location**	**Fair Value Hierarchy**	**Fair Value**
Foreign currency contracts	EUR	495	$ 668	Other current assets	Level 2	$7
Interest rate swap	USD	$65,000	$ 65,000	Other long-term liabilities	Level 2	$363
Contingent consideration		—	—	Accrued expenses and other long-term liabilities	Level 3	$2,563

(EUR represents the Euro)

Unifi, Inc.

Notes to Condensed Consolidated Financial Statements – (Continued)

Estimates for the fair value of the Company's foreign currency forward contracts and interest rate swaps are obtained from month-end market quotes for contracts with similar terms.

The effect of marked to market hedging derivative instruments was as follows:

		For the Three Months Ended	
Derivatives not designated as hedges	**Classification**	**December 28, 2014**	**December 29, 2013**
Foreign exchange contracts	Other operating expense, net	$ —	$ (16)
Interest rate swap	Interest expense	12	(148)
Total loss (gain) recognized in income		$ 12	$ (164)

		For the Six Months Ended	
Derivatives not designated as hedges	**Classification**	**December 28, 2014**	**December 29, 2013**
Foreign exchange contracts	Other operating expense, net	$ 7	$ (22)
Interest rate swap	Interest expense	(246)	(8)
Total (gain) loss recognized in income		$ (239)	$ (30)

By entering into derivative instrument contracts, the Company exposes itself to counterparty credit risk. The Company attempts to minimize this risk by selecting counterparties with investment grade credit ratings, limiting the amount of exposure to any single counterparty and regularly monitoring its market position with each counterparty. The Company's derivative instruments do not contain any credit-risk-related contingent features.

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

There were no transfers into or out of the levels of the fair value hierarchy for the six months ended December 28, 2014.

Non-Financial Assets and Liabilities

The Company did not have any non-financial assets or liabilities that were required to be measured at fair value on a recurring basis.

18. Accumulated Other Comprehensive Loss

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

	Foreign Currency Translation Adjustments	Unrealized (Loss) Gain On Interest Rate Swap	Accumulated Other Comprehensive Loss
Balance at June 29, 2014	$ (4,241)	$ (378)	$ (4,619)
Other comprehensive (loss) income, net of tax	(12,895)	193	(12,702)
Balance at December 28, 2014	$ (17,136)	$ (185)	$ (17,321)

A summary of the pre-tax, tax and after-tax effects of the components of other comprehensive loss for the quarters ended December 28, 2014 and December 29, 2013 is provided as follows:

	For the Three Months Ended December 28, 2014		
	Pre-tax	Tax	After-tax
Other comprehensive (loss) income:			
Foreign currency translation adjustments	$(5,483)	$ —	$ (5,483)
Foreign currency translation adjustments for an unconsolidated affiliate	(371)	—	(371)
Reclassification adjustment on cash flow hedge	89	—	89
Other comprehensive loss	$(5,765)	$ —	$ (5,765)

Unifi, Inc.

Notes to Condensed Consolidated Financial Statements – (Continued)

	For the Three Months Ended December 29, 2013		
	Pre-tax	**Tax**	**After-tax**
Other comprehensive (loss) income:			
Foreign currency translation adjustments	$(3,140)	$ —	$ (3,140)
Reclassification adjustment on cash flow hedge	145	—	145
Other comprehensive loss	$(2,995)	$ —	$ (2,995)

A summary of the pre-tax, tax and after-tax effects of the components of other comprehensive loss for the six months ended December 28, 2014 and December 29, 2013 is provided as follows:

	For the Six Months Ended December 28, 2014		
	Pre-tax	**Tax**	**After-tax**
Other comprehensive (loss) income:			
Foreign currency translation adjustments	$(12,524)	$ —	$(12,524)
Foreign currency translation adjustments for an unconsolidated affiliate	(371)	—	(371)
Reclassification adjustment on cash flow hedge	193	—	193
Other comprehensive loss	$(12,702)	$ —	$(12,702)

	For the Six Months Ended December 29, 2013		
	Pre-tax	**Tax**	**After-tax**
Other comprehensive (loss) income:			
Foreign currency translation adjustments	$(3,462)	$ —	$ (3,462)
Reclassification adjustment on cash flow hedge	300	—	300
Other comprehensive loss	$(3,162)	$ —	$ (3,162)

19. Computation of Earnings Per Share

The computation of basic and diluted earnings per share (“EPS”) is as follows:

	For the Three Months Ended		For the Six Months Ended	
	December 28, 2014	December 29, 2013	December 28, 2014	December 29, 2013
Basic EPS				
Net income attributable to Unifi, Inc.	$9,418	$ 6,443	$16,495	$ 15,313
Weighted average common shares outstanding	18,180	19,136	18,235	19,200
Basic EPS	$0.52	$ 0.34	$0.90	$ 0.80
Diluted EPS				
Net income attributable to Unifi, Inc.	$9,418	$ 6,443	$16,495	$ 15,313
Weighted average common shares outstanding	18,180	19,136	18,235	19,200
Net potential common share equivalents – stock options and RSUs	602	758	600	832
Adjusted weighted average common shares outstanding	18,782	19,894	18,835	20,032
Diluted EPS	$0.50	$ 0.32	$0.88	$ 0.76
Excluded from the calculation of common share equivalents:				
Anti-dilutive common share equivalents	177	91	177	91
Excluded from the calculation of diluted shares:				
Unvested options that vest upon achievement of certain market conditions	10	13	10	13

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Unifi, Inc.

Notes to Condensed Consolidated Financial Statements – (Continued)

The calculation of earnings per common share is based on the weighted average number of the Company's common shares outstanding for the applicable period. The calculation of diluted earnings per common share presents the effect of all potential dilutive common shares that were outstanding during the respective period, unless the effect of doing so is anti-dilutive. Common share equivalents where the exercise price is above the average market price are excluded in the calculation of diluted earnings per common share.

20. Other Operating Expense, Net

Other operating expense, net consists of the following:

	For the Three Months Ended		For the Six Months Ended	
	December 28, 2014	December 29, 2013	December 28, 2014	December 29, 2013
Operating expenses for Renewables	$ 739	$ 580	$ 1,741	$ 1,204
Foreign currency transaction losses	61	79	374	173
Net loss on sale or disposal of assets	17	299	17	340
Restructuring charges, net	—	222	—	1,118
Change in fair value of contingent consideration	(118)	—	(43)	—
Other, net	3	(35)	74	(66)
Other operating expense, net	$ 702	$ 1,145	$ 2,163	$ 2,769

Operating expenses for Renewables include amounts incurred for employee costs, land and equipment rental costs, contract labor, freight costs, fuel, operating supplies, product testing, and administrative costs. Operating expenses for Renewables also includes $98 and $80 of depreciation and amortization expense for the three months ended December 28, 2014 and December 29, 2013, respectively, and $196 and $160 for the six months ended December 28, 2014 and December 29, 2013, respectively.

The components of restructuring charges, net consist of the following:

	For the Three Months Ended December 28, 2014	December 29, 2013	For the Six Months Ended December 28, 2014	December 29, 2013
Severance	$ —	$ 103	$ —	$ 769
Equipment relocation and reinstallation costs	—	119	—	349
Total restructuring charges, net	$ —	$ 222	$ —	$ 1,118

Severance

On May 14, 2013, the Company and one of its executive officers entered into a severance agreement that provided severance and certain other benefits through November 2014. On August 12, 2013, the Company and another of its executive officers entered into a severance agreement that provided severance payments through November 2014 and certain other benefits through December 2014. The table below presents changes to the severance reserves for the six months ended December 28, 2014:

	Balance June 29, 2014	Charged to expense	Charged to other accounts	Payments	Adjustments	Balance December 28, 2014
Accrued severance	$ 374	—	(19)	(355)	—	$ —

Equipment Relocation and Reinstallation Costs

During the first six months of fiscal year 2014, the Company dismantled and relocated certain polyester draw warping equipment from Monroe, North Carolina to a Burlington, North Carolina facility. The Company also dismantled and relocated certain polyester texturing and twisting equipment between locations in North Carolina and El Salvador. The costs incurred for the relocation of equipment were charged to restructuring expense within the Polyester Segment.

Unifi, Inc.

Notes to Condensed Consolidated Financial Statements – (Continued)

21. Investments in Unconsolidated Affiliates and Variable Interest Entities

Parkdale America, LLC

In June 1997, the Company and Parkdale Mills, Inc. (“Mills”) entered into a Contribution Agreement that set forth the terms and conditions by which the two companies contributed all of the assets of their spun cotton yarn operations utilizing open-end and air-jet spinning technologies to create Parkdale America, LLC (“PAL”). In exchange for its contribution, the Company received a 34% ownership interest in PAL, which is accounted for using the equity method of accounting. Effective January 1, 2012, Mills’ interest in PAL was assigned to Parkdale Incorporated. PAL is a limited liability company treated as a partnership for income tax reporting purposes. PAL is a producer of cotton and synthetic yarns for sale to the textile industry and apparel market, both foreign and domestic. PAL has 14 manufacturing facilities located primarily in the southeast region of the U.S. and in Mexico. According to its most recently issued audited financial statements, PAL’s five largest customers accounted for approximately 74% of total revenues and 78% of total gross accounts receivable outstanding. As PAL’s fiscal year end is the Saturday nearest to December 31 and its results are considered significant, the Company files an amendment to each Annual Report on Form 10-K on or before 90 days subsequent to PAL’s fiscal year end to provide PAL’s audited financial statements for PAL’s most recent fiscal year. The Company filed an amendment to its Annual Report on Form 10-K for the fiscal year ended June 30, 2013 on March 27, 2014 to provide PAL’s audited financial statements for PAL’s fiscal year ended December 28, 2013. The Company will file an amendment to the 2014 Form 10-K on or before April 3, 2015 to provide PAL’s audited financial statements for PAL’s fiscal year ending January 3, 2015.

During August 2008, a federal government program commenced providing economic adjustment assistance to domestic users of upland cotton (the “EAP program”). The EAP program offers a subsidy for cotton consumed in domestic production, and the subsidy is paid the month after the eligible cotton is consumed. The subsidy must be used within eighteen months after the marketing year in which it is earned to purchase qualifying capital expenditures in the U.S. for production of goods from upland cotton. The marketing year is from August 1 to July 31. The program provides a subsidy of up to three cents per pound. In February 2014, the federal government extended the EAP program for five years. The cotton subsidy will remain at three cents per pound for the life of the program. PAL recognizes its share of income for the cotton subsidy when the cotton has been consumed and the qualifying assets have been acquired, with an appropriate allocation methodology considering the dual criteria of the subsidy.

PAL is subject to price risk related to anticipated fixed-price yarn sales. To protect the gross margin of these sales, PAL may enter into cotton futures to manage changes in raw material prices in order to protect the gross margin of fixed-priced yarn sales. The derivative instruments used are listed and traded on an exchange and are thus valued using quoted prices classified within Level 1 of the fair value hierarchy. As of December 2014, PAL had no futures contracts designated as cash flow hedges.

As of December 28, 2014, the Company’s investment in PAL was $102,041 and reflected within investments in unconsolidated affiliates in the condensed consolidated balance sheets. The reconciliation between the Company’s share of the underlying equity of PAL and its investment is as follows:

Underlying equity as of December 28, 2014	$120,412
Initial excess capital contributions	53,363
Impairment charge recorded by the Company in 2007	(74,106)
Anti-trust lawsuit against PAL in which the Company did not participate	2,652
EAP adjustments	(280)
Investment as of December 28, 2014	$102,041

On August 28, 2014, PAL acquired the remaining 50% ownership interest in a yarn manufacturer based in Mexico in which PAL was historically a 50% member. The acquisition is expected to increase PAL’s regional manufacturing capacity and expand its product offerings and customer base. PAL has accounted for the transaction as a business combination under the acquisition method, recognizing the assets acquired and liabilities assumed at their respective provisional fair values as of the acquisition date. The Company and PAL concluded that the acquisition did not represent a material business combination. PAL has recognized a provisional after-tax gain of approximately $4,600 in its initial accounting for the acquisition for all identified assets and liabilities. The Company and PAL will continue to review the acquisition accounting during the measurement period, and if new information obtained about facts and circumstances that existed at the acquisition date identifies adjustments to the assets or liabilities initially recognized, as well as any additional assets or liabilities that existed at the acquisition date, the acquisition accounting will be revised to reflect the resulting adjustments to the provisional amounts. The acquisition accounting is incomplete, primarily pending final real estate and other asset valuations, along with a comprehensive assessment of the impact on income taxes.

Unifi, Inc.

Notes to Condensed Consolidated Financial Statements – (Continued)

U.N.F. Industries, Ltd.

In September 2000, the Company and Nilit Ltd. ("Nilit") formed a 50/50 joint venture, U.N.F. Industries Ltd. ("UNF"), for the purpose of operating nylon extrusion assets to manufacture nylon POY. Raw material and production services for UNF are provided by Nilit under separate supply and services agreements. UNF's fiscal year end is December 31 and it is a registered Israeli private company located in Migdal Ha-Emek, Israel.

UNF America, LLC

In October 2009, the Company and Nilit America Inc. ("Nilit America") formed a 50/50 joint venture, UNF America LLC ("UNF America"), for the purpose of operating a nylon extrusion facility which manufactures nylon POY. Raw material and production services for UNF America are provided by Nilit America under separate supply and services agreements. UNF America's fiscal year end is December 31 and it is a limited liability company treated as a partnership for income tax reporting purposes located in Ridgeway, Virginia.

In conjunction with the formation of UNF America, the Company entered into a supply agreement with UNF and UNF America whereby the Company agreed to purchase all of its first quality nylon POY requirements for texturing (subject to certain exceptions) from either UNF or UNF America. The agreement has no stated minimum purchase quantities and pricing is negotiated every six months, based on market rates. As of December 28, 2014, the Company's open purchase orders related to this agreement were $3,276.

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

	For the Six Months Ended	
	December 28, 2014	December 29, 2013
UNF	$ 1,817	$ 6,243
UNF America	14,274	11,776
Total	$ 16,091	$ 18,019

As of December 28, 2014 and June 29, 2014, the Company had combined accounts payable due to UNF and UNF America of $3,764 and $3,966, respectively.

The Company has determined that UNF and UNF America are variable interest entities ("VIEs") and has also determined that the Company is the primary beneficiary of these entities, based on the terms of the supply agreement. As a result, these entities should be consolidated in the Company's financial results. As the Company purchases substantially all of the output from the two entities, the two entities' balance sheets constitute 3% or less of the Company's current assets, total assets and total liabilities, and such balances are not expected to comprise a larger portion in the future, the Company has not included the accounts of UNF and UNF America in its consolidated financial statements. As of December 28, 2014, the Company's combined investments in UNF and UNF America were $3,707 and are shown within investments in unconsolidated affiliates in the Condensed Consolidated Balance Sheets. The financial results of UNF and UNF America are included in the Company's financial statements with a one month lag, using the equity method of accounting and with intercompany profits eliminated in accordance with the Company's accounting policy. Other than the supply agreement discussed above, the Company does not provide any other commitments or guarantees related to either UNF or UNF America.

Condensed balance sheet and income statement information for the Company's unconsolidated affiliates is presented in the following tables. As PAL is defined as significant, its information is separately disclosed. For the three months and six months ended December 28, 2014, PAL's corresponding fiscal periods consisted of 14 weeks and 27 weeks, respectively.

	As of December 28, 2014		
	PAL	**Other**	**Total**
Current assets	$245,637	$11,969	$257,606
Noncurrent assets	177,820	515	178,335
Current liabilities	42,897	5,136	48,033
Noncurrent liabilities	26,406	—	26,406
Shareholders' equity and capital accounts	354,154	7,348	361,502
The Company's portion of undistributed earnings	31,730	1,372	33,102

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Unifi, Inc.

Notes to Condensed Consolidated Financial Statements – (Continued)

	As of June 29, 2014		
	PAL	**Other**	**Total**
Current assets	$248,651	$9,187	$257,838
Noncurrent assets	143,720	3,065	146,785
Current liabilities	50,696	5,437	56,133
Noncurrent liabilities	5,432	—	5,432
Shareholders' equity and capital accounts	336,243	6,815	343,058

	For the Three Months Ended December 28, 2014		
	PAL	**Other**	**Total**
Net sales	$192,243	$8,955	$201,198
Gross profit	12,063	1,007	13,070
Income from operations	6,909	655	7,564
Net income	9,039	685	9,724
Depreciation and amortization	8,161	25	8,186
Cash received by PAL under EAP program	4,153	—	4,153
Earnings recognized by PAL for EAP program	3,854	—	3,854
Distributions received	—	—	—

As of the end of PAL's fiscal December 2014 period, PAL's amount of deferred revenues related to the EAP program was $0.

	For the Three Months Ended December 29, 2013		
	PAL	**Other**	**Total**
Net sales	$190,629	$9,371	$200,000
Gross profit	16,665	1,199	17,864
Income from operations	13,348	761	14,109
Net income	14,076	801	14,877
Depreciation and amortization	7,204	25	7,229
Cash received by PAL under EAP program	3,439	—	3,439
Earnings recognized by PAL for EAP program	7,205	—	7,205
Distributions received	—	500	500

As of the end of PAL's fiscal December 2013 period, PAL's amount of deferred revenues related to the EAP program was $0.

	For the Six Months Ended December 28, 2014		
	PAL	Other	Total
Net sales	$398,479	$16,315	$414,794
Gross profit	23,032	1,662	24,694
Income from operations	13,723	948	14,671
Net income	19,003	1,024	20,027
Depreciation and amortization	15,369	50	15,419
Cash received by PAL under EAP program	8,454	—	8,454
Earnings recognized by PAL for EAP program	8,755	—	8,755
Distributions received	—	—	—

Unifi, Inc.

Notes to Condensed Consolidated Financial Statements – (Continued)

	For the Six Months Ended December 29, 2013		
	PAL	**Other**	**Total**
Net sales	$413,166	$17,911	$431,077
Gross profit	36,755	2,125	38,880
Income from operations	29,920	1,249	31,169
Net income	31,416	1,329	32,745
Depreciation and amortization	14,286	50	14,336
Cash received by PAL under EAP program	7,493	—	7,493
Earnings recognized by PAL for EAP program	16,284	—	16,284
Distributions received	2,559	500	3,059

22. Commitments and Contingencies

Collective Bargaining Agreements

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

Environmental

On September 30, 2004, the Company completed its acquisition of the polyester filament manufacturing assets located in Kinston, North Carolina from INVISTA S.a.r.l (“Invista”). The land for the Kinston site was leased pursuant to a 99 year ground lease (“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.

Operating Leases

The Company routinely leases sales and administrative office space, warehousing and distribution centers, manufacturing space, transportation equipment, manufacturing equipment, and other information technology and office equipment from third parties. In addition, Renewables leases farm land for use in growing FREEDOM® Giant Miscanthus ("FGM"). Currently, the Company does not sub-lease any of its leased property.

23. Related Party Transactions

For details regarding the nature of certain related party relationships, see "Note 25. Related Party Transactions" included in the 2014 Form 10-K. There were no new related party transactions during the six months ended December 28, 2014.

Related party receivables consist of the following:

	December 28, 2014		June 29, 2014	
Cupron, Inc.	$	21	$	1
Salem Global Logistics, Inc.		4		12
Dillon Yarn Corporation		—		4
Total related party receivables (included within receivables, net)	$	25	$	17

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Notes to Condensed Consolidated Financial Statements – (Continued)

Related party payables consist of the following:

	December 28, 2014	June 29, 2014
Cupron, Inc.	$ 453	$ 525
Salem Leasing Corporation	288	272
Dillon Yarn Corporation	84	131
Total related party payables (included within accounts payable)	$ 825	$ 928

Related party transactions consist of the following:

		For the Three Months Ended	
Affiliated Entity	Transaction Type	December 28, 2014	December 29, 2013
Dillon Yarn Corporation	Yarn purchases	$ 473	$ 565
Dillon Yarn Corporation	Sales	—	380
Salem Leasing Corporation	Transportation equipment costs	947	911
Salem Global Logistics, Inc.	Freight services	63	—
Cupron, Inc.	Sales	208	131
Cupron, Inc.	Yarn purchases	210	139
Invemed Associates LLC	Brokerage services	—	4

		For the Six Months Ended	
Affiliated Entity	Transaction Type	December 28, 2014	December 29, 2013
Dillon Yarn Corporation	Yarn purchases	$ 1,048	$ 1,452
Dillon Yarn Corporation	Sales	—	1,235
Salem Leasing Corporation	Transportation equipment costs	1,897	1,826
Salem Global Logistics, Inc.	Freight services	132	—
Cupron, Inc.	Sales	549	157
Cupron, Inc.	Yarn purchases	210	139
Invemed Associates LLC	Brokerage services	2	8

24. Business Segment Information

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, beamed and draw wound 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 yarns (both nylon and polyester) and covered spandex yarns, with sales to knitters and weavers that produce fabric primarily for the apparel and hosiery markets. The Nylon Segment consists of sales and manufacturing operations in the 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 a manufacturing location and sales offices in Brazil and a sales office in China.

The Company evaluates the operating performance of its segments based upon Segment Adjusted Profit, which is defined as segment gross profit plus segment depreciation and amortization less segment selling, general and administrative (“SG&A”) expenses and plus segment other adjustments. Segment operating profit represents segment net sales less cost of sales, restructuring and other charges and SG&A expenses. The accounting policies for the segments are consistent with the Company’s accounting policies. Intersegment sales are accounted for at current market prices.

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Notes to Condensed Consolidated Financial Statements – (Continued)

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

	For the Three Months Ended December 28, 2014			
	Polyester	**Nylon**	**International**	**Total**
Net sales	$90,431	$39,212	$ 33,506	$163,149
Cost of sales	77,892	33,545	28,429	139,866
Gross profit	12,539	5,667	5,077	23,283
Selling, general and administrative expenses	7,752	2,605	2,227	12,584
Other operating expenses	—	—	31	31
Segment operating profit	$4,787	$3,062	$ 2,819	$10,668

	For the Three Months Ended December 29, 2013			
	Polyester	**Nylon**	**International**	**Total**
Net sales	$89,430	$39,800	$ 31,387	$160,617
Cost of sales	79,633	35,041	27,446	142,120
Gross profit	9,797	4,759	3,941	18,497
Selling, general and administrative expenses	7,068	2,384	2,039	11,491
Restructuring charges	119	—	—	119
Segment operating profit	$2,610	$2,375	$ 1,902	$6,887

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

	For the Three Months Ended	
	December 28, 2014	**December 29, 2013**
Polyester	$4,787	$ 2,610
Nylon	3,062	2,375
International	2,819	1,902
Segment operating profit	10,668	6,887
Provision for bad debts	63	87
Other operating expense, net	671	1,026
Operating income	9,934	5,774
Interest income	(309)	(142)
Interest expense	1,209	903

Equity in earnings of unconsolidated affiliates	(3,281)	(5,122)
Income before income taxes	$12,315	$10,135

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

	For the Six Months Ended December 28, 2014			
	Polyester	**Nylon**	**International**	**Total**
Net sales	$183,409	$83,922	$70,000	$337,331
Cost of sales	160,415	73,068	59,610	293,093
Gross profit	22,994	10,854	10,390	44,238
Selling, general and administrative expenses	14,558	4,875	4,437	23,870
Other operating expenses	26	16	52	94
Segment operating profit	$8,410	$5,963	$5,901	$20,274

	For the Six Months Ended December 29, 2013			
	Polyester	**Nylon**	**International**	**Total**
Net sales	$182,992	$79,515	$66,779	$329,286
Cost of sales	162,835	70,062	57,907	290,804
Gross profit	20,157	9,453	8,872	38,482
Selling, general and administrative expenses	13,103	4,434	4,068	21,605
Restructuring charges	349	—	—	349
Segment operating profit	$6,705	$5,019	$4,804	$16,528

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Notes to Condensed Consolidated Financial Statements – (Continued)

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

	For the Six Months Ended	
	December 28, 2014	December 29, 2013
Polyester	$ 8,410	$ 6,705
Nylon	5,963	5,019
International	5,901	4,804
Segment operating profit	20,274	16,528
Provision for bad debts	654	49
Other operating expense, net	2,069	2,420
Operating income	17,551	14,059
Interest income	(626)	(1,356)
Interest expense	2,028	2,155
Equity in earnings of unconsolidated affiliates	(7,002)	(11,245)
Income before income taxes	$ 23,151	$ 24,505

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

	For the Three Months Ended		For the Six Months Ended	
	December 28, 2014	December 29, 2013	December 28, 2014	December 29, 2013
Polyester	$ 3,056	$ 2,822	$ 6,081	$ 5,571
Nylon	509	521	1,010	1,265
International	685	689	1,441	1,417
Segment depreciation and amortization expense	4,250	4,032	8,532	8,253
Depreciation and amortization included in other operating expense, net	98	80	196	160
Amortization charged to interest expense	146	105	258	212
Depreciation and amortization expense	$ 4,494	$ 4,217	$ 8,986	$ 8,625

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

	For the Three Months Ended		For the Six Months Ended	
	December 28, 2014	December 29, 2013	December 28, 2014	December 29, 2013
Polyester	$ (10)	$ 191	$ 112	$ 193
Nylon	22	—	65	(157)
International	—	194	—	254
Segment other adjustments	$ 12	$ 385	$ 177	$ 290

Segment other adjustments may include items such as severance charges, restructuring charges and recoveries, start-up costs, and other adjustments necessary to understand and compare the underlying results of the segment.

Segment Adjusted Profit for each of the reportable segments consists of the following:

	For the Three Months Ended		For the Six Months Ended	
	December 28, 2014	December 29, 2013	December 28, 2014	December 29, 2013
Polyester	$ 7,833	$ 5,742	$ 14,629	$ 12,818
Nylon	3,593	2,896	7,054	6,127
International	3,535	2,785	7,394	6,475
Segment Adjusted Profit	$ 14,961	$ 11,423	$ 29,077	$ 25,420

Unifi, Inc.

Notes to Condensed Consolidated Financial Statements – (Continued)

Intersegment sales for each of the reportable segments consist of the following:

	For the Three Months Ended		For the Six Months Ended	
	December 28, 2014	December 29, 2013	December 28, 2014	December 29, 2013
Polyester	$ 19	$ 87	$ 142	$ 92
Nylon	70	63	75	136
International	137	415	167	514
Intersegment sales	$ 226	$ 565	$ 384	$ 742

The reconciliations of segment capital expenditures to consolidated capital expenditures are as follows:

	For the Three Months Ended		For the Six Months Ended	
	December 28, 2014	December 29, 2013	December 28, 2014	December 29, 2013
Polyester	$ 5,424	$ 2,641	$ 12,026	$ 7,033
Nylon	281	856	475	1,427
International	229	227	735	883
Segment capital expenditures	5,934	3,724	13,236	9,343
Unallocated corporate capital expenditures	125	16	206	88
Capital expenditures	$ 6,059	$ 3,740	$ 13,442	$ 9,431

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

	December 28, 2014	June 29, 2014
Polyester	$ 197,126	$ 192,697
Nylon	67,297	75,397
International	72,159	81,604
Segment total assets	336,582	349,698
All other current assets	7,093	2,549
Unallocated corporate PP&E	11,887	12,250
All other non-current assets	5,181	5,341
Investments in unconsolidated affiliates	105,748	99,229
Total assets	$ 466,491	$ 469,067

Geographic Data:

Geographic information for net sales is as follows:

	For the Three Months Ended		For the Six Months Ended	
	December 28, 2014	**December 29, 2013**	**December 28, 2014**	**December 29, 2013**
U.S.	$118,777	$ 121,236	$245,780	$ 244,963
Brazil	25,687	26,152	55,694	56,464
All Other Foreign	18,685	13,229	35,857	27,859
Total	$163,149	$ 160,617	$337,331	$ 329,286

The information for net sales is based on the operating locations from where the items were produced or distributed. Export sales from the Company's U.S. operations to external customers were $27,926 and $26,699 for the three months ended December 28, 2014 and December 29, 2013, respectively. Export sales from the Company's U.S. operations to external customers were $55,099 and $49,955 for the six months ended December 28, 2014 and December 29, 2013, respectively.

Geographic information for long-lived assets is as follows:

	December 28, 2014	**June 29, 2014**
U.S.	$ 224,786	$ 215,910
Brazil	9,221	12,188
All Other Foreign	7,393	7,413
Total	$ 241,400	$ 235,511

Unifi, Inc.

Notes to Condensed Consolidated Financial Statements – (Continued)

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

Geographic information for total assets is as follows:

	December 28, 2014	June 29, 2014
U.S.	$ 368,720	$ 362,510
Brazil	61,864	70,581
All Other Foreign	35,907	35,976
Total	$ 466,491	$ 469,067

25. Supplemental Cash Flow Information

Cash payments for interest and taxes consist of the following:

	For the Six Months Ended	
	December 28, 2014	December 29, 2013
Interest, net of capitalized interest	$ 1,661	$ 1,635
Income taxes, net of refunds	12,708	6,558

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

Non-Cash Investing and Financing Activities

As of December 28, 2014 and June 29, 2014, $1,118 and $5,023, respectively, were included in accounts payable for unpaid capital expenditures.

During the quarter ended December 29, 2013, the Company received and retired 134 shares of its common stock, with a fair value of $3,583, tendered in lieu of cash for the exercise of 421 employee stock options.

During the quarter ended December 29, 2013, the total fair value of the assets acquired in the December 2013 purchase of Dillon's draw winding business was $2,934, and the total accounts payable and accrued contingent consideration liabilities assumed related to the acquisition were $2,934.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of certain significant factors that have affected the Company's operations and material changes in financial condition during the periods included in the accompanying Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Our discussions below in this Item 2 are based upon the more detailed discussions about our business, operations and financial condition included in the 2014 Form 10-K. Our discussions here focus on our results during, or as of, the second quarter of fiscal year 2015, and the comparable period of fiscal year 2014, and, to the extent applicable, any material changes from the information discussed in the 2014 Form 10-K or other important intervening developments or information. These discussions should be read in conjunction with the 2014 Form 10-K for more detailed and background information.

Forward-Looking Statements

This report contains statements that may constitute "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 and the Private Securities Litigation Reform Act of 1995, which we discuss in detail under Item 1 of the 2014 Form 10-K. Important factors currently known to management that could cause actual results to differ materially from those forward-looking statements include risks and uncertainties associated with economic conditions in the textile industry as well as the risks and uncertainties discussed under the heading "Risk Factors" included in Item 1A of the 2014 Form 10-K, which discussion is hereby incorporated by reference. The Company undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time.

Overview and Significant General Matters

The Company remains committed to making improvements to its core business, growing the market for its value-added products, and generating positive cash flow from operations to fund strategic growth opportunities and potential repurchases under the Company's stock repurchase program. The Company's core strategies include: continuously improving all operational and business processes; enriching our product mix by aggressively growing sales of our PVA products and increasing our market share of compliant yarns; deriving value from sustainability based initiatives, including polyester and nylon recycling; increasing sales in global growth markets, including Central America, Brazil, and China; and maintaining our beneficial joint venture relationships. The Company expects to continue to focus on these strategies through investments in select product and geographic growth opportunities related to its core business.

Significant highlights for the December 2014 quarter include the following items, each of which is discussed in more detail below:

- Net income was $9,418, or $0.52 per basic share, on net sales of $163,149, compared to net income of $6,443, or $0.34 per basic share, on net sales of $160,617 for the prior year second quarter.
- Adjusted EBITDA (as defined below) was $16,200 versus $12,567 for the prior year second quarter.

Key Performance Indicators

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

- 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; and
- net income and earnings per share for the Company.

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Results of Operations

Second Quarter of Fiscal Year 2015 Compared to Second Quarter of Fiscal Year 2014

Consolidated Overview

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

	For the Three Months Ended December 28, 2014		December 29, 2013		
		% of Net Sales		% of Net Sales	% Change
Net sales	$163,149	100.0	$160,617	100.0	1.6
Cost of sales	139,866	85.7	142,120	88.5	(1.6)
Gross profit	23,283	14.3	18,497	11.5	25.9
Selling, general and administrative expenses	12,584	7.7	11,491	7.2	9.5
Provision for bad debts	63	—	87	—	(27.6)
Other operating expense, net	702	0.5	1,145	0.7	(38.7)
Operating income	9,934	6.1	5,774	3.6	72.0
Interest expense, net	900	0.6	761	0.5	18.3
Equity in earnings of unconsolidated affiliates	(3,281)	(2.0)	(5,122)	(3.2)	(35.9)
Income before income taxes	12,315	7.5	10,135	6.3	21.5
Provision for income taxes	3,193	1.9	3,924	2.4	(18.6)
Net income including non-controlling interest	9,122	5.6	6,211	3.9	46.9
Less: net (loss) attributable to non-controlling interest	(296)	(0.2)	(232)	(0.1)	27.6
Net income attributable to Unifi, Inc.	$9,418	5.8	$6,443	4.0	46.2

Consolidated Net Sales

Net sales for the December 2014 quarter increased by $2,532, or 1.6%, as compared to the prior year quarter. The increase in net sales was primarily driven by higher sales volumes in all three of the Company’s reportable segments. This increase was partially offset by devaluation of the Brazilian Real versus the U.S. Dollar.

Consolidated sales volume increased 6.8% from the prior year quarter due to volume increases in all three of the Company’s reportable segments. The slight increase in sales volume in the Polyester Segment of 1.2% was primarily due to continued success of its PVA programs and increased demand due to growth of synthetic apparel for the NAFTA and CAFTA regions. The volume increase in the Nylon Segment of 6.6% was primarily due to increased sales of textured yarn products for the apparel market. The increase in the International Segment of 20.1% was primarily due to (i) volume improvements in Brazil for both manufactured and resale products and (ii) higher volumes in China as a result of new sales programs.

Consolidated sales pricing decreased 5.2% from the prior year quarter primarily due to devaluation of the Brazilian Real versus the U.S. Dollar and changes in sales mix within underlying product lines driving a comparatively lower weighted average selling price.

Consolidated Gross Profit

Gross profit for the December 2014 quarter increased by $4,786, or 25.9%. Gross profit increased due to (i) increased sales volume in all three reportable segments, (ii) improved margins related to mix enrichment in the Polyester Segment, (iii) a decline in polyester raw material costs and (iv) improved manufacturing costs in Brazil due to lower net utility costs, partially offset by unfavorable currency translation in Brazil and a lower-margin sales mix in China.

Polyester Segment

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

	For the Three Months Ended				
	December 28, 2014		December 29, 2013		
		% of Net Sales		% of Net Sales	% Change
Net sales	$90,431	100.0	$89,430	100.0	1.1
Cost of sales	77,892	86.1	79,633	89.0	(2.2)
Gross profit	$12,539	13.9	$9,797	11.0	28.0

A reconciliation of the changes in net sales from the second quarter of fiscal year 2014 to the second quarter of fiscal year 2015 for the Polyester Segment is as follows:

Net sales for the second quarter of fiscal year 2014	$89,430
Increase in sales volumes	970
Acquisition of draw winding business	307
Changes in sales mix	(276)
Net sales for the second quarter of fiscal year 2015	$90,431

The overall increase in net sales was primarily attributable to (i) an increase in volumes specific to expanded PVA programs, as well as increased demand for textured polyester yarn in the North and Central American regions and (ii) acquisition of a draw winding business in December 2013 (due to the timing of the acquisition relative to the duration of the corresponding quarters), partially offset by (iii) lower chip and dyed yarn sales and (iv) lower average denier.

A reconciliation of the changes in gross profit from the second quarter of fiscal year 2014 to the second quarter of fiscal year 2015 for the Polyester Segment is as follows:

Gross profit for the second quarter of fiscal year 2014	$9,797
Net improvement in underlying operating margins	2,826

Increase in sales volumes	117
Increase in depreciation expense	(201)
Gross profit for the second quarter of fiscal year 2015	$12,539

The increase in gross profit was primarily a result of (i) higher operating margins driven by mix enrichment initiatives to increase the ratio of PVA products versus commodity-based offerings, (ii) improved conversion margins driven by declining raw material costs, partially offset by (iii) higher depreciation expense due to the recent recycling center addition and incremental fixed assets driving expanded flexibility and capacity.

Polyester Segment net sales and gross profit as a percentage of total consolidated amounts were 55.4% and 53.9% for the second quarter of fiscal year 2015, compared to 55.7% and 53.0% for the second quarter of fiscal year 2014, respectively.

Nylon Segment

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

	For the Three Months Ended				
	December 28, 2014		**December 29, 2013**		
		% of Net Sales		**% of Net Sales**	**% Change**
Net sales	$39,212	100.0	$39,800	100.0	(1.5)
Cost of sales	33,545	85.5	35,041	88.0	(4.3)
Gross profit	$5,667	14.5	$4,759	12.0	19.1

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A reconciliation of the changes in net sales from the second quarter of fiscal year 2014 to the second quarter of fiscal year 2015 for the Nylon Segment is as follows:

Net sales for the second quarter of fiscal year 2014	$39,800
Decrease in average pricing and change in sales mix	(3,240)
Increase in sales volumes	2,652
Net sales for the second quarter of fiscal year 2015	$39,212

The decrease in net sales was attributable to a decrease in pricing due to varying sales mix changes among underlying product lines, partially offset by an increase in sales volumes, primarily for textured yarn.

A reconciliation of the changes in gross profit from the second quarter of fiscal year 2014 to the second quarter of fiscal year 2015 for the Nylon Segment is as follows:

Gross profit for the second quarter of fiscal year 2014	$4,759
Increase in sales volumes	317
Decrease in depreciation expense	14
Improvements in underlying operating margins	577
Gross profit for the second quarter of fiscal year 2015	$5,667

The increase in gross profit was attributable to (i) an increase in sales volumes, primarily for textured products, (ii) a slight decrease in depreciation expense and (iii) lower unit converting costs primarily attributable to a change in sales mix.

Nylon Segment net sales and gross profit, as a percentage of total consolidated amounts, were 24.0% and 24.3% for the second quarter of fiscal year 2015, compared to 24.8% and 25.7% for the second quarter of fiscal year 2014, respectively.

International Segment

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

	For the Three Months Ended				
	December 28, 2014		December 29, 2013		
		% of Net Sales		% of Net Sales	% Change
Net sales	$33,506	100.0	$31,387	100.0	6.8
Cost of sales	28,429	84.8	27,446	87.4	3.6
Gross profit					