INTERFACE INC
Form 10-K
February 25, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 28, 2014

Commission File No.: 001-33994

Interface, Inc.

(Exact name of registrant as specified in its charter)

Georgia	**58-1451243**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
2859 Paces Ferry Road, Suite 2000	
Atlanta, Georgia	**30339**
(Address of principal executive offices)	*(zip code)*

Registrant's telephone number, including area code: **(770) 437-6800**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered:**
Common Stock, $0.10 Par Value Per Share	Nasdaq Global Select Market
Series B Participating Cumulative Preferred Stock Purchase Rights	Nasdaq Global Select Market

Securities Registered Pursuant to Section 12(g) of the Act: **None**

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and a “smaller reporting company” in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer 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

Aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 27, 2014: $1,219,646,337 (64,565,714 shares valued at the closing sale price of $18.89 on June 27, 2014). See Item 12.

Number of shares outstanding of each of the registrant's classes of Common Stock, as of February 13, 2015:

Class	Number of Shares
Common Stock, $0.10 par value per share	66,561,101

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2015 Annual Meeting of Shareholders are incorporated by reference into Part III.

PART I

ITEM 1. BUSINESS

Introduction and General

We are a worldwide leader in design, production and sales of modular carpet, also known as carpet tile. For the past several years, modular carpet sales growth in the floorcovering industry has significantly outpaced the growth of the overall industry, as architects, designers and end users increasingly recognized the unique and superior attributes of modular carpet, including its dynamic design capabilities, greater economic value (which includes lower costs as a result of reduced waste in both installation and replacement), and installation ease and speed.

As a global company with a reputation for high quality, reliability and premium positioning, we market modular carpet in over 110 countries under the established brand names *Interface*® and *FLOR*®. Our principal geographic markets are the Americas, Europe and Asia-Pacific, where the percentages of our total net sales were approximately 57%, 28% and 15%, respectively, for fiscal year 2014.

Capitalizing on our leadership in modular carpet for the corporate office segment, we are executing a market diversification strategy to increase our presence and market share for modular carpet in non-corporate office market segments, such as government, education, healthcare, hospitality and retail space, which combined are more than twice the size of the approximately $1 billion U.S. corporate office market segment. Our diversification strategy also targets the approximately $9 billion U.S. residential market segment for carpet. As a result of our efforts, our mix of corporate office versus non-corporate office modular carpet sales in the Americas was 44% and 56%, respectively, for 2014. Company-wide, our mix of corporate office versus non-corporate office sales was 58% and 42%, respectively, in 2014. We believe the appeal and utilization of modular carpet is growing in each of these non-corporate office market segments, and we are using our considerable skills and experience with designing, producing and marketing modular products that make us the market leader in the corporate office segment to support and facilitate our penetration into these segments around the world.

In July 2012, a fire occurred at our manufacturing facility in Picton, Australia, causing extensive damage and rendering the facility inoperable. The Picton facility served our customers throughout Australia and New Zealand. Following the fire, we utilized adequate production capacity at our other manufacturing facilities to meet customer demand typically serviced from Picton, while we completed the build-out of a new manufacturing facility in Minto, Australia. The new facility in Minto commenced operations in January 2014 and is now fully operational. For additional information, please see Items 7 and 8 of this Annual Report.

In August 2012, we sold our Bentley Prince Street business segment, which designed, manufactured and marketed high-end, designer-oriented broadloom and modular carpet. For additional information, please see Items 7 and 8 of this Annual Report.

Our Strengths

Our principal competitive strengths include:

Market Leader in Attractive Modular Carpet Segment. We are the world's leading manufacturer of carpet tile. Modular carpet has become more prevalent across all commercial interiors markets as designers, architects and end users have become more familiar with its unique attributes. We continue to drive this trend with our product innovations and designs discussed below. According to the annual *Floor Focus* interiors industry survey of the top 250 designers in the United States, carpet tile was ranked as the number one "hot product" for each of the years 2002 through 2012, and was ranked number two in 2013 and 2014. We believe that we are well positioned to lead and capitalize upon the continued shift to modular carpet, both domestically and around the world.

Established Brands and Reputation for Quality, Reliability and Leadership. Our products are known in the industry for their high quality, reliability and premium positioning in the marketplace, and our established brand names are leaders in the industry. The 2014 *Floor Focus* survey ranked our *Interface* brand first or second in the survey categories of service, quality, design, performance and value. In the North American residential market segment, our *FLOR* brand is known for its high style carpet design squares that consumers assemble to create custom rugs, runners or wall-to-wall designs in the home. On the international front, *Interface* is a well-recognized brand name in carpet tiles for commercial and institutional use. More generally, as the appeal and utilization of modular carpet continues to expand into market segments such as government, healthcare, education, hospitality, and retail and residential space, our reputation as the pioneer of modular carpet — as well as our established brands and leading market position for modular carpet in the corporate office segment — will enhance our competitive advantage in marketing to the customers in these new markets.

Innovative Product Design and Development Capabilities. Our product design and development capabilities have long given us a significant competitive advantage, and they continue to do so as modular carpet's appeal and utilization expand across virtually every market segment and around the globe. One of our recent design innovations is the introduction of long and narrow rectangular carpet tiles in the shape of planks, and even more narrow versions known as skinny planks. The use of planks and skinny planks increases the design versatility of our carpet tile, as these products can create aesthetics (such as a herringbone pattern) that are different from, or enhance, that of our traditional square carpet tiles.

The award-winning design firm David Oakey Designs has had a pivotal role in developing our plank and skinny plank products, as well as many of our other innovative product designs, and our long-standing exclusive relationship with David Oakey Designs remains vibrant and augments our internal research, development and design staff. As another example, David Oakey Designs has developed products that are manufactured using state-of-the-art tufting technology which allows us to pinpoint tufts of different colored yarns in virtually any arrangement within a carpet tile. These unique designs are best exemplified by our *Urban Retreat*®, *Net Effect*® and *Human Nature*® collections, which are sold throughout our international operations.

Historically, one of our best design innovations is our *i2*™ modular product line, which includes our popular *Entropy*® product for which we received a patent in 2005 on the key elements of its design. The *i2* line introduced and features mergeable dye lots, and includes a number of carpet tile products that are designed to be installed randomly without reference to the orientation of neighboring tiles. The *i2* line offers cost-efficient installation and maintenance, interactive flexibility, and recycled and recyclable materials. Another more recent innovation is our *TacTiles*® carpet tile installation system, which uses small squares of adhesive plastic film to connect intersecting carpet tiles, thus eliminating the need for traditional carpet adhesive and resulting in a reduction in installation time and waste materials.

Made-to-Order and Global Manufacturing Capabilities. We have a distinct competitive advantage in meeting two principal requirements of the specified products markets we primarily target — that is, providing custom samples quickly and on-time delivery of customized final products. We also can generate realistic digital samples that allow us to create a virtually unlimited number of new design concepts and distribute them instantly for customer review, while at the same time reducing sampling waste. Approximately 60% to 70% of our modular carpet products in the United States and Asia-Pacific markets are now made-to-order, and we are increasing our made-to-order production in Europe as well. Our made-to-order capabilities not only enhance our marketing and sales, they significantly improve our inventory turns. Our global manufacturing capabilities in modular carpet production are an important component of this strength, and give us an advantage in serving the needs of multinational corporate customers that require products and services at various locations around the world. Our manufacturing locations across four continents enable us to compete effectively with local producers in our international markets, while giving international customers more favorable delivery times and freight costs.

Recognized Global Leadership in Ecological Sustainability. Our long-standing goal and commitment to be ecologically "sustainable" — that is, the point at which we are no longer a net "taker" from the earth and do no harm to the

biosphere — have emerged as a competitive strength for our business and remain a strategic initiative. It includes *Mission Zero*®, our global branding initiative, which represents our mission to eliminate any negative impact our companies may have on the environment by the year 2020. Our acknowledged leadership position and expertise in this area resonate deeply with many of our customers and prospects around the globe, and provide us with a differentiating advantage in competing for business among architects, designers and end users of our products, who often make purchase decisions based on "green" factors. The 2014 *Floor Focus* survey, which named our Interface business the top among "Green Leaders" and gave us the top honors for "Green Kudos", found that 76% of the designers surveyed consider sustainability an added benefit and 19% consider it a "make or break" issue when deciding what products to recommend or purchase.

Experienced and Motivated Management and Sales Force. An important component of our competitive position is the quality of our management team and its commitment to developing and maintaining an engaged and accountable workforce. Our team is highly skilled and dedicated to guiding our overall growth and expansion into our targeted market segments, while maintaining our leadership in traditional markets and our high contribution margins. We utilize an internal marketing and predominantly commissioned sales force of more than 650 experienced personnel, stationed at over 70 locations in over 30 countries, to market our products and services in person to our customers. Our incentive compensation and our sales and marketing training programs are tailored to promote performance and facilitate leadership by our executives both in strategic areas as well as the company as a whole.

Our Business Strategy and Principal Initiatives

Our business strategy is to continue to use our leading position in modular carpet and our product design and global made-to-order capabilities as a platform from which to drive acceptance of modular carpet products across several industry segments, while maintaining our leadership position in the corporate office market segment. We will seek to increase revenues and profitability by capitalizing on the above strengths and pursuing the following key strategic initiatives:

Continue to Penetrate Non-Corporate Office Market Segments. We will continue our strategic focus on product design and marketing and sales efforts for non-corporate office market segments such as government, education, healthcare, hospitality, retail and residential space. We began this initiative as part of our market diversification strategy in 2001 (when our initial objective was reducing our exposure to the more severe economic cyclicality of the corporate office segment), and it has become a principal strategy generally for growing our business and enhancing profitability. To implement this strategy, we:

- introduced specialized product offerings tailored to the unique demands of these segments, including specific designs, functionalities and prices;

- created special sales teams dedicated to penetrating these segments at a high level, with a focus on specific customer accounts rather than geographic territories; and

- realigned incentives for our corporate office segment sales force generally in order to encourage their efforts, and where appropriate, to assist our penetration of these other segments.

As part of this strategy, our *FLOR* line of products focuses on the U.S. residential carpet and rugs market segment. These products were specifically created to bring high style modular carpet and rugs to the North American residential market. We offer *FLOR* in three primary sales channels – catalogs, the Internet, and in our *FLOR* retail stores. We currently have 21 *FLOR* stores (20 in the U.S. and one in Canada), where customers have the opportunity to experience the modular carpet concept and bring their carpet design ideas to life. The services offered by our FLOR stores also include in-store design appointments, in-home design consultations and installation services. Through these sales channels, *FLOR* sales have grown more than 200% from 2005 to 2014.

Penetrate Expanding Geographic Markets for Modular Products. The popularity of modular carpet continues to increase compared with other floorcovering products across most markets, internationally as well as in the United States. While maintaining our leadership in the corporate office segment, we will continue to build upon our position as the worldwide leader for modular carpet in order to promote sales in all market segments globally. A principal part of our international focus – which utilizes our global marketing capabilities and sales infrastructure – is the significant opportunities in several emerging geographic markets for modular carpet. These emerging markets, such as China, India and Eastern Europe, represent large and growing economies that are essentially new markets for modular carpet products. Others expanding geographic markets, such as Germany and Italy, are established markets that are transitioning to the use of modular carpet from historically low levels of penetration. Each of these geographic markets represents a significant growth opportunity for our modular carpet business.

Continue to Minimize Expenses and Invest Strategically. We have steadily trimmed costs from our operations for several years through multiple initiatives, which have made us leaner today and for the future. Our supply chain and other cost containment initiatives have improved our cost structure and yielded the operating efficiencies we sought. While we still seek to minimize our expenses in order to increase profitability, we will also take advantage of strategic

opportunities to invest in systems, processes and personnel that can help us grow our business and increase profitability and value.

Sustain Leadership in Product Design and Development. As discussed above, our leadership position for product design and development is a competitive advantage and key strength. Our plank, skinny plank, and *i2* products and *TacTiles* installation system have confirmed our position as an innovation leader in modular carpet. We will continue initiatives to sustain, augment and capitalize upon that strength to continue to increase our market share in targeted market segments. Our *Mission Zero* global branding initiative, which draws upon and promotes our ecological sustainability commitment, is part of those initiatives and includes placing our *Mission Zero* logo on many of our marketing and merchandising materials distributed throughout the world.

Use Strong Free Cash Flow Generation to De-leverage Our Balance Sheet. Our principal business has been structured – including through our rationalization and repositioning initiatives – to yield high contribution margins and generate strong free cash flow (by which we mean cash available to apply towards debt service and potential stock repurchases, strategic acquisitions and the like). Our historical investments in global manufacturing capabilities and mass customization techniques and facilities, which we have maintained, also contribute to our ability to generate substantial levels of free cash flow. We will use our strong free cash flow generation capability to continue to repay debt, potentially repurchase shares, and strengthen our financial position. We will also continue to execute programs to reduce costs further and enhance free cash flow. In addition, our existing capacity to increase production levels without significant capital expenditures will further enhance our generation of free cash flow as demand for our products rises.

Challenges

In order to capitalize on our strengths and to implement successfully our business strategy and the principal initiatives discussed above, we will have to handle successfully several challenges that confront us or that affect our industry in general. As discussed in the Risk Factors in Item 1A of this Report, several factors could make it difficult for us, including:

- sales of our principal products have been and may continue to be affected by adverse economic cycles in the renovation and construction of commercial and institutional buildings;
- we compete with a large number of manufacturers in the highly competitive commercial floorcovering products market, and some of these competitors have greater financial resources than we do;
- our success depends significantly upon the efforts, abilities and continued service of our senior management executives and our principal design consultant, and our loss of any of them could affect us adversely;
- our substantial international operations are subject to various political, economic and other uncertainties that could adversely affect our business results;
- large increases in the cost of petroleum-based raw materials could adversely affect us if we are unable to pass these cost increases through to our customers;
- unanticipated termination or interruption of any of our arrangements with our primary third party suppliers of synthetic fiber could have a material adverse effect on us; and
- we have a significant amount of indebtedness, which could have important negative consequences to us.

We believe our business model is strong enough, and our strategic initiatives are properly calibrated, for us to handle these and other challenges we will encounter in our business.

Seasonality

Our first quarter has typically been our slowest quarter while our fourth quarter has typically been our best quarter, with sales generally increasing throughout the course of the fiscal year. However, in some recent years, as our sales efforts and results in the education market segment (which has a heavy buying season in the summer months) have increased, our third quarter sales have occasionally eclipsed our fourth quarter sales.

Our Products and Services

Modular Carpet

Interface is the world's largest manufacturer and marketer of modular carpet. Our modular carpet system, which is marketed under the established global brands *Interface* and *FLOR,* utilizes carpet tiles cut in precise, dimensionally stable squares (usually 50 cm x 50 cm) or rectangles (such as planks and skinny planks) to produce a floorcovering that combines the appearance and texture of traditional soft floorcovering with the advantages of a modular carpet system. Our *GlasBac*® technology employs a fiberglass-reinforced polymeric composite backing that provides dimensional stability and reduces the need for adhesives or fasteners. We also make carpet tiles with a backing containing post-industrial and/or post-consumer recycled materials, which we market under the *GlasBacRE* brand. In addition, we make carpet tile with yarn containing varying degrees of post-consumer nylon, depending on the style and color. We received the 2012 and 2011 Best of NeoCon Silver Awards in the modular carpet category for our *Urban Retreat* and *Luxe at Work*™ Collections, respectively.

Our carpet tile has become popular for a number of reasons. Carpet tile incorporating our reinforced backing may be easily removed and replaced, permitting rearrangement of furniture without the inconvenience and expense associated with removing, replacing or repairing other soft surface flooring products, including broadloom carpeting. Because a relatively small portion of a carpet installation often receives the bulk of traffic and wear, the ability to rotate carpet tiles between high traffic and low traffic areas and to selectively replace worn tiles can significantly increase the average life and cost efficiency of the floorcovering. In addition, carpet tile facilitates access to sub-floor air delivery systems and telephone, electrical, computer and other wiring by lessening disruption of operations. It also eliminates the cumulative damage and unsightly appearance commonly associated with frequent cutting of conventional carpet as utility connections and disconnections are made. We believe that, within the overall floorcovering market, the worldwide demand for modular carpet is increasing as more customers recognize these advantages.

We use a number of conventional and technologically advanced methods of carpet construction to produce carpet tiles in a wide variety of colors, patterns, textures, pile heights and densities. These varieties are designed to meet both the practical and aesthetic needs of a broad spectrum of commercial interiors – particularly offices, healthcare facilities, airports, educational and other institutions, hospitality spaces, and retail facilities – and residential interiors. Our carpet tile systems permit distinctive styling and patterning that can be used to complement interior designs, to set off areas for particular purposes and to convey graphic information. While we continue to manufacture and sell a substantial portion of our carpet tile in standard styles, an increasing percentage of our modular carpet sales is custom or made-to-order product designed to meet customer specifications.

In addition to general uses of our carpet tile, we produce and sell a specially adapted version of our carpet tile for the healthcare facilities market. Our carpet tile possesses characteristics — such as the use of the *Intersept*® antimicrobial, static-controlling nylon yarns, and thermally pigmented, colorfast yarns — which make it suitable for use in these facilities in place of hard surface flooring. Moreover, we launched our *FLOR* line of products to specifically target modular carpet sales to the residential market segment. Through our relationship with David Oakey Designs, we also have created modular carpet products (some of which are part of our *i2* product line) specifically designed for each of the education, hospitality and retail market segments.

We also manufacture and sell two-meter roll goods that are structure-backed and offer many of the advantages of both carpet tile and broadloom carpet. These roll goods are often used in conjunction with carpet tiles to create special design effects. Our current principal customers for these products are in the education, healthcare and government market segments.

Broadloom Carpet

In August 2012, we sold our Bentley Prince Street business segment to a third party. This business designed, manufactured and marketed high-end, designer-oriented broadloom and modular carpet for commercial and residential markets. As a result of this sale, we no longer have a presence in the broadloom carpet market.

Other Products and Services

We sell a proprietary antimicrobial chemical compound under the registered trademark *Intersept* that we incorporate in all of our modular carpet products and have licensed to another company for use in air filters. We also sell our *TacTiles* carpet tile installation system, along with a variety of traditional adhesives and products for carpet installation and maintenance that are manufactured by a third party. In addition, we continue to manufacture and sell our *Intercell*® brand raised/access flooring product in Europe. We also continue to provide “turnkey” project management services for national accounts and other large customers through our *InterfaceSERVICES*™ business.

Marketing and Sales

We have traditionally focused our carpet marketing strategy on major accounts, seeking to build lasting relationships with national and multinational end-users, and on architects, engineers, interior designers, contracting firms, and other specifiers who often make or significantly influence purchasing decisions. While most of our sales are in the corporate office segment, both new construction and renovation, we also emphasize sales in other segments, including retail space, government institutions, schools, healthcare facilities, tenant improvement space, hospitality centers, residences and home office space. Our marketing efforts are enhanced by the established and well-known brand names of our carpet products, including *Interface* and *FLOR.* Our exclusive consulting agreement with the award-winning, premier design firm David Oakey Designs enabled us to introduce more than 15 new carpet designs in the United States in 2014 alone.

An important part of our marketing and sales efforts involves the preparation of custom-made samples of requested carpet designs, in conjunction with the development of innovative product designs and styles to meet the customer's particular needs. Our mass customization initiative simplified our carpet manufacturing operations, which significantly improved our ability to respond quickly and efficiently to requests for samples. In most cases, we can produce samples to customer specifications in less than five days, which significantly enhances our marketing and sales efforts and has increased our volume of higher margin custom or made-to-order sales. In addition, through our websites, we have made it easy to view and request samples of our products. We also use technology which allows us to provide digital, simulated samples of our products, which helps reduce raw material and energy consumption associated with our samples.

We primarily use our internal marketing and sales force to market our carpet products. In order to implement our global marketing efforts, we have product showrooms or design studios in the United States, Canada, Mexico, Brazil, Denmark, England, France, Germany, Spain, the Netherlands, India, Australia, Norway, United Arab Emirates, Russia, Singapore, Hong Kong, Thailand, China and elsewhere. We expect to open offices in other locations around the world as necessary to capitalize on emerging marketing opportunities.

We distribute our product through two primary channels: (1) direct sales to end users; and (2) indirect sales through independent contractors or distributors. In each case, we may also call upon architects, engineers, interior designers, contracting firms and other specifiers who often make or substantially influence purchasing decisions.

Manufacturing

We manufacture carpet at two locations in the United States and at facilities in the Netherlands, the United Kingdom, Thailand, China and Australia.

Having foreign manufacturing operations enables us to supply our customers with carpet from the location offering the most advantageous delivery times, duties and tariffs, exchange rates, and freight expense, and enhances our ability to develop a strong local presence in foreign markets. We believe that the ability to offer consistent products and services on a worldwide basis at attractive prices is an important competitive advantage in servicing multinational customers seeking global supply relationships. We will consider additional locations for manufacturing operations in other parts of the world as necessary to meet the demands of customers in international markets.

Our raw materials are generally available from multiple sources – both regionally and globally – with the exception of synthetic fiber (nylon yarn). For yarn, we principally rely upon two major global suppliers, but we also have significant relationships with at least two other suppliers. Although our number of principal yarn suppliers is limited, we do have the capability to manufacture carpet using face fiber produced from two separate polymer feedstocks – nylon 6 and nylon 6,6 – which provides additional flexibility with respect to yarn supply inputs, if needed. Our global sourcing strategy, including with respect to our principal yarn suppliers and dual polymer manufacturing capability, allows us to guard against any potential shortages of raw materials or raw material suppliers in a specific polymer supply chain.

We have a flexible-inputs carpet backing line, which we call "*Cool Blue*™", at our modular carpet manufacturing facility in LaGrange, Georgia. Using next generation thermoplastic technology, the custom-designed backing line dramatically improves our ability to keep reclaimed and waste carpet in the production "technical loop," and further permits us to explore other plastics and polymers as inputs. We also have technology that more cleanly separates the face fiber and backing of reclaimed and waste carpet, thus making it easier to recycle some of its components and providing a purer supply of inputs for the *Cool Blue* process. This technology, which is part of our *ReEntry*®*2.0* carpet reclamation program, allows us to send some of the reclaimed face fiber back to our fiber supplier to be blended with virgin or other post-industrial materials and extruded into new fiber.

The environmental management systems of our floorcovering manufacturing facilities in LaGrange, Georgia, West Point, Georgia, Northern Ireland, the Netherlands, Thailand, China and Australia are certified under International

Standards Organization (ISO) Standard No. 14001.

Our significant international operations are subject to various political, economic and other uncertainties, including risks of restrictive taxation policies, foreign exchange restrictions, changing political conditions and governmental regulations. We also receive a substantial portion of our revenues in currencies other than U.S. dollars, which makes us subject to the risks inherent in currency translations. Although our ability to manufacture and ship products from facilities in several foreign countries reduces the risks of foreign currency fluctuations we might otherwise experience, we also engage from time to time in hedging programs intended to further reduce those risks.

Competition

We compete, on a global basis, in the sale of our modular carpet products with other carpet manufacturers and manufacturers of vinyl and other types of floorcoverings, including broadloom carpet. Although the industry has experienced significant consolidation, a large number of manufacturers remain in the industry. We believe we are the largest manufacturer of modular carpet in the world. However, a number of domestic and foreign competitors manufacture modular carpet as one segment of their business, and some of these competitors have financial resources greater than ours. In addition, some of the competing carpet manufacturers have the ability to extrude at least some of their requirements for fiber used in carpet products, which decreases their dependence on third party suppliers of fiber.

We believe the principal competitive factors in our primary floorcovering markets are brand recognition, quality, design, service, broad product lines, product performance, marketing strategy and pricing. In the corporate office market segment, modular carpet competes with various floorcoverings, of which broadloom carpet is the most common. The quality, service, design, better and longer average product performance, flexibility (design options, selective rotation or replacement, use in combination with roll goods) and convenience of our modular carpet are our principal competitive advantages.

We believe we have competitive advantages in several other areas as well. First, our exclusive relationship with David Oakey Designs allows us to introduce numerous innovative and attractive carpet tile products to our customers. Additionally, we believe that our global manufacturing capabilities are an important competitive advantage in serving the needs of multinational corporate customers. We believe that the incorporation of the *Intersept* antimicrobial chemical agent into the backing of our modular carpet enhances our ability to compete successfully across all of our market segments generally, and specifically with resilient tile in the healthcare market.

In addition, we believe that our goal and commitment to be ecologically "sustainable" by 2020 is a brand-enhancing, competitive strength as well as a strategic initiative. Our customers are concerned about the environmental and broader ecological implications of their operations and the products they use in them. Our leadership, knowledge and expertise in the area, especially in the "green building" movement and the related LEED certification program, resonate deeply with many of our customers and prospects around the globe. Our modular carpet products historically have had inherent installation and maintenance advantages that translated into greater efficiency and waste reduction. We are using raw materials and production technologies, such as our *Cool Blue* backing line and our *ReEntry 2.0* reclaimed carpet separation process, that directly reduce the adverse impact of those operations on the environment and limit our dependence on petrochemicals.

Product Design, Research and Development

We maintain an active research, development and design staff of approximately 80 people and also draw on the research and development efforts of our suppliers, particularly in the areas of fibers, yarns and modular carpet backing materials. Our research and development costs were $13.9 million, $12.6 million and $12.4 million in 2014, 2013, and 2012, respectively.

Our research and development team provides technical support and advanced materials research and development for us. The team assisted in the development of our *NexStep*® backing, which employs moisture-impervious polycarbite precoating technology with a chlorine-free urethane foam secondary backing, and also helped develop a post-consumer recycled content, polyvinyl chloride, or PVC, extruded sheet process that has been incorporated into our *GlasBacRE* modular carpet backing. Our post-consumer recycled content PVC extruded sheet exemplifies our commitment to "closing-the-loop" in recycling. More recently, this team developed our *TacTiles* carpet tile installation system, which uses small squares of adhesive plastic film to connect intersecting carpet tiles. The team also helped implement our *Cool Blue* flexible inputs backing line and our *ReEntry 2.0* reclaimed carpet separation technology and post-consumer recycling technology for nylon face fibers. With a goal of supporting sustainable product designs in floorcoverings applications, we continue to evaluate renewable polymers for use in our products.

Our research and development team also is the coordinator of our QUEST and EcoSense initiatives (discussed below under "Environmental Initiatives") and supports the dissemination, consultancies and technical communication of our global sustainability endeavors. This team also provides all biochemical and technical support to *Intersept*

antimicrobial chemical product initiatives.

Innovation and increased customization in product design and styling are the principal focus of our product development efforts, and this focus has led to several design breakthroughs such as our plank and skinny plank products, as well as our i2 product line. Our carpet design and development team is recognized as an industry leader in carpet design and product engineering for the commercial and institutional markets.

David Oakey Designs provides carpet design and consulting services to us pursuant to a consulting agreement. David Oakey Designs' services under the agreement include creating commercial carpet designs for use by our modular carpet businesses throughout the world, and overseeing product development, design and coloration functions for our modular carpet business in North America. The current agreement runs through August 2017. While the agreement is in effect, David Oakey Designs cannot provide similar services to any other carpet company. Through our relationship with David Oakey Designs, we introduced more than 15 new carpet designs in 2014 alone, and have enjoyed considerable success in winning U.S. carpet industry awards.

David Oakey Designs also contributed to our ability to efficiently produce many products from a single yarn system. Our mass customization production approach evolved, in major part, from this concept. In addition to increasing the number and variety of product designs, which enables us to increase high margin custom sales, the mass customization approach increases inventory turns and reduces inventory levels (for both raw materials and standard products) and their related costs because of our more rapid and flexible production capabilities.

Environmental Initiatives

In the latter part of 1994, we commenced a new industrial ecological sustainability initiative called EcoSense, inspired in part by the interest of customers concerned about the environmental implications of how they and their suppliers do business. EcoSense, which includes our QUEST waste reduction initiative, is directed towards the elimination of energy and raw materials waste in our businesses, and, on a broader and more long-term scale, the practical reclamation — and ultimate restoration — of shared environmental resources. The initiative involves a commitment by us:

- to learn to meet our raw material and energy needs through recycling of carpet and other petrochemical products and harnessing benign energy sources; and
- to pursue the creation of new processes to help sustain the earth's non-renewable natural resources.

We have engaged some of the world's leading authorities on global ecology as environmental advisors. The list of advisors includes: Paul Hawken, author of *The Ecology of Commerce: A Declaration of Sustainability* and *The Next Economy,* and co-author of *Natural Capitalism: Creating the Next Industrial Revolution;* Amory Lovins, energy consultant and co-founder of the Rocky Mountain Institute; John Picard, President of E2 Environmental Enterprises; Bill Browning, fellow and former director of the Rocky Mountain Institute's Green Development Services; Janine M. Benyus, author of *Biomimicry*; and Bob Fox, renowned architect.

Our leadership, knowledge and expertise in this area, especially in the "green building" movement and the related LEED certification program, resonate deeply with many of our customers and prospects around the globe. As more customers in our target markets share our view that sustainability is good business and not just good deeds, our acknowledged leadership position should strengthen our brands and provide a differentiated advantage in competing for business.

To further raise awareness of our goal of becoming sustainable, we launched our *Mission Zero* global branding initiative, which represents our mission to eliminate any negative impact our companies may have on the environment by the year 2020. As part of this initiative, our *Mission Zero* logo appears on many of our marketing and merchandising materials distributed throughout the world.

A high point in our pursuit of *Mission Zero* is our partnership with the Zoological Society of London on a program called *Net-Works*®. Together we are working with communities in the Philippines to collect discarded fishing nets that are damaging a large coral reef, and diverting them to our yarn supplier where they are recycled into new carpet fiber. *Net-Works* provides a source of income for members of these communities in the Philippines, while also cleaning up the beaches and waters where they live and work. Our *Net Effect* Collection of carpet tile products, among others, contains yarn that is partly made from the recycled fishing nets collected through the *Net-Works* program. This program is a big step in redesigning our supply chain from a linear take-make-waste process toward a closed loop

system, and it advances our ultimate goal of becoming a restorative enterprise.

Backlog

Our backlog of unshipped orders was approximately $124.3 million at February 15, 2015, compared with approximately $117.4 million at February 16, 2014. Historically, backlog is subject to significant fluctuations due to the timing of orders for individual large projects and currency fluctuations. All of the backlog orders at February 15, 2015 are expected to be shipped during the succeeding six to nine months.

Patents and Trademarks

We own numerous patents in the United States and abroad on floorcovering products and on manufacturing processes. The duration of United States patents is between 14 and 20 years from the date of filing of a patent application or issuance of the patent; the duration of patents issued in other countries varies from country to country. We maintain an active patent and trade secret program in order to protect our proprietary technology, know-how and trade secrets. Although we consider our patents to be very valuable assets, we consider our know-how and technology even more important to our current business than patents, and, accordingly, believe that expiration of existing patents or nonissuance of patents under pending applications would not have a material adverse effect on our operations.

We also own many trademarks in the United States and abroad. In addition to the United States, the primary countries in which we have registered our trademarks are the United Kingdom, Germany, Italy, France, Canada, Australia, New Zealand, Japan, and various countries in Central America, South America and Asia. Some of our more prominent registered trademarks include: *Interface, FLOR, Heuga, Intersept, GlasBac, Intercell,* and *Mission Zero.* Trademark registrations in the United States are valid for a period of 10 years and are renewable for additional 10-year periods as long as the mark remains in actual use. The duration of trademarks registered in other countries varies from country to country.

Financial Information by Operating Segments and Geographic Areas

The Notes to Consolidated Financial Statements appearing in Item 8 of this Report set forth information concerning our sales and long-lived assets by geographic areas. Following the sale of Bentley Prince Street, we have only one operating segment. Current and prior periods have been reclassified to include the results of operations and related disposal costs, gains and losses for the Bentley Prince Street business as discontinued operations. In addition, assets and liabilities of the Bentley Prince Street business have been reported in assets and liabilities held for sale for all reported periods.

Employees

At December 28, 2014, we employed a total of 3,245 employees worldwide. Of such employees, 1,808 were clerical, staff, sales, supervisory and management personnel and 1,437 were manufacturing personnel. We also utilized the services of 178 temporary personnel as of December 28, 2014.

Some of our production employees in Australia and the United Kingdom are represented by unions. In the Netherlands, a Works Council, the members of which are Interface employees, is required to be consulted by management with respect to certain matters relating to our operations in that country, such as a change in control of Interface Europe B.V. (our modular carpet subsidiary based in the Netherlands), and the approval of the Council is required for some of our actions, including changes in compensation scales or employee benefits. Our management believes that its relations with the Works Council, the unions and all of our employees are good.

Environmental Matters

Our operations are subject to laws and regulations relating to the generation, storage, handling, emission, transportation and discharge of materials into the environment. The costs of complying with environmental protection laws and regulations have not had a material adverse impact on our financial condition or results of operations in the past and are not expected to have a material adverse impact in the future. The environmental management systems of our floorcovering manufacturing facilities in LaGrange, Georgia, West Point, Georgia, Northern Ireland, the Netherlands, Thailand, China and Australia are certified under ISO Standard No. 14001.

Executive Officers of the Registrant

Our executive officers, their ages as of December 28, 2014, and their principal positions with us are set forth below. Executive officers serve at the pleasure of the Board of Directors.

Name	Age	Principal Position(s)
Daniel T. Hendrix	60	President and Chief Executive Officer
Jay D. Gould	55	Executive Vice President and Chief Operating Officer
Robert Boogaard	46	Senior Vice President (Europe)
Robert A. Coombs	56	Senior Vice President (Asia-Pacific)
Patrick C. Lynch	45	Senior Vice President and Chief Financial Officer
John R. Wells	53	Senior Vice President (Americas)
Raymond S. Willoch	56	Senior Vice President-Administration, General Counsel and Secretary
Jo Ann Herold	49	Vice President and Chief Marketing Officer
Sanjay Lall	54	Vice President and Chief Information Officer
Nigel Stansfield	47	Vice President and Chief Innovations Officer

Mr. Hendrix joined us in 1983 after having worked previously for a national accounting firm. He was promoted to Treasurer in 1984, Chief Financial Officer in 1985, Vice President-Finance in 1986, Senior Vice President in October 1995, Executive Vice President in October 2000, and President and Chief Executive Officer in July 2001. He was elected to the Board in October 1996 and has served on the Executive Committee of the Board since July 2001. In October 2011, Mr. Hendrix was elected as Chairman of the Board of Directors.

Mr. Gould joined us in January 2015. From 2012 to January 2015, Mr. Gould was the Chief Executive Officer of American Standard Brands, a kitchen and bath products company. Prior to his employment with American Standard Brands, Mr. Gould held senior executive roles at Newell Rubbermaid Inc., a global marketer of consumer and commercial products, serving as President of its Home & Family business group from 2008 to 2012 and President of its Parenting Essentials business group from 2006 to 2008. He also previously held executive level positions at The Campbell Soup Company (2002-2006) and The Coca-Cola Company (1995-2002).

Mr. Boogaard joined us in 2011 as Senior Vice President of Sales for our European floorcovering division. Prior to joining Interface, Mr. Boogaard spent 18 years in the office furniture industry in the U.S. and Europe, followed by three years as Director of Global Strategy, Marketing and Commercial Services for a manufacturer of membrane filtration technology used in high end applications such as water purification. Mr. Boogaard was named Interim President of our Europe division in July 2013 (when the former divisional president began a medical leave), and was appointed Senior Vice President of Interface and President of the Europe division in February 2015.

Mr. Coombs originally worked for us from 1988 to 1993 as a marketing manager for our *Heuga* carpet tile operations in the United Kingdom and later for all of our European floorcovering operations. In 1996, Mr. Coombs returned to us as Managing Director of our Australian operations. He was promoted in 1998 to Vice President-Sales and Marketing, Asia-Pacific, with responsibility for Australian operations and sales and marketing in Asia, which was followed by a promotion to Senior Vice President, Asia-Pacific. He was promoted to Senior Vice President, European Sales, in May 1999 and Senior Vice President, European Sales and Marketing, in April 2000. In February 2001, he was promoted to President and Chief Executive Officer of Interface Overseas Holdings, Inc. with responsibility for all of our floorcoverings operations in both Europe and the Asia-Pacific region, and he became a Vice President of Interface. In September 2002, Mr. Coombs relocated back to Australia, retaining responsibility for our floorcovering operations in the Asia-Pacific region while another executive assumed responsibility for floorcovering operations in Europe. Mr. Coombs was promoted to Senior Vice President of Interface in July 2008.

Mr. Lynch joined us in 1996 after having previously worked for a national accounting firm. He became Assistant Corporate Controller in 1998 and Assistant Vice President and Corporate Controller in 2000. Mr. Lynch was promoted to Vice President and Chief Financial Officer in July 2001. Mr. Lynch was promoted to Senior Vice President in March 2007.

Mr. Wells joined us in February 1994 as Vice President-Sales of Interface Flooring Systems, Inc. (now InterfaceFLOR, LLC), our principal U.S. modular carpet subsidiary. Mr. Wells was promoted to Senior Vice President-Sales & Marketing of Interface Flooring Systems in October 1994. He was promoted to Vice President of Interface and President of Interface Flooring Systems in July 1995. In March 1998, Mr. Wells was also named President of both Prince Street Technologies, Ltd. and Bentley Mills, Inc. (our former U.S. broadloom operations), making him President of all three of our U.S. carpet mills at that time. In November 1999, Mr. Wells was named Senior Vice President of Interface, and President and Chief Executive Officer of Interface Americas Holdings, LLC (formerly Interface Americas, Inc.), thereby assuming operations responsibility for all of our floorcovering businesses in the Americas.

Mr. Willoch, who previously practiced with an Atlanta law firm, joined us in June 1990 as Corporate Counsel. He was promoted to Assistant Secretary in 1991, Assistant Vice President in 1993, Vice President in January 1996, Secretary and General Counsel in August 1996, and Senior Vice President in February 1998. In July 2001, he was named Senior Vice President-Administration and assumed corporate responsibility for various staff functions.

Ms. Herold joined us in July 2013 as Vice President and Chief Marketing Officer, charged with harmonizing the *Interface* brand around the world and across multiple platforms. She oversees marketing and communications for the corporate brand, while also leading the senior marketing team, which is comprised of the Company's marketing and communications teams globally. Ms. Herold has more than 25 years of marketing experience. Prior to joining Interface, she was Vice President of Brand Communications and Public Relations at Arby's Restaurant Group, and previously spent 16 years at HoneyBaked Ham, where she served as Vice President of Marketing and then Chief Marketing Officer. She also has owned her own marketing firm.

Mr. Lall joined us in May 2012 and serves as Vice President and Chief Information Officer. In this role, Mr. Lall is responsible for the overall technology direction of Interface and for harmonizing and enhancing our information technology resources globally. Prior to Interface, he served as Vice President and Chief Information Officer at SimplexGrinnell, a $2 billion business unit of Tyco Corporation, a leader in fire and safety products and monitoring services highly dependent on technology. There he was responsible for activities across the enterprise related to technical infrastructure, architecture and application management. Before that, he served as Vice President and Chief Information Officer at STERIS Corporation, a global medical device manufacturer and marketer for infection prevention, contamination control and surgical and critical care products, and previously he was Vice President and Chief Information Officer for Suntory Water Group, the second largest U.S. manufacturer, marketer and distributor of bottled water.

Mr. Stansfield is our Vice President and Chief Innovations Officer, with global responsibility for developing and implementing Interface's strategy to have a more open and collaborative approach to innovation. Mr. Stansfield was the Operations Manager for Firth Carpets (our former European broadloom operations) at the time it was acquired by us in 1997. For two years following that acquisition, Mr. Stansfield served as Manufacturing Systems Manager, part of a global project team that designed and implemented MRP manufacturing software systems at seven of our manufacturing plants. In 1999, he returned to Firth Carpets as Operations Director. In 2002, he became a member of our European research and development team focusing on our sustainability initiatives, and in 2004, he became Product and Innovations Director for all of our European Operations. In 2010, he joined our European management team as Senior Vice President of Product, Design and Innovation, before taking his current role in March 2012.

Available Information

We make available free of charge on or through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our Internet address is http://www.interface.com. The SEC maintains a website that contains annual, quarterly and current reports, proxy statements and other information that issuers (including the Company) file electronically with the SEC. The SEC's website is http://www.sec.gov.

Interface, Inc. was incorporated in 1973 as a Georgia corporation.

Forward-Looking Statements

This report on Form 10-K contains "forward-looking statements" within the meaning of the Securities Act of 1933, and the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. Words such as "believes," "anticipates," "plans," "expects" and similar expressions are intended to identify forward-looking statements. Forward-looking statements include statements regarding the intent, belief or current expectations of our management team, as well as the assumptions on which such statements are based. Any forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by such forward-looking statements. We undertake 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. Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include risks and uncertainties associated with economic conditions in the commercial interiors industry as well as the risks and uncertainties discussed below in Item 1A, "Risk Factors".

ITEM 1A. RISK FACTORS

You should carefully consider the following factors, in addition to the other information included in this Annual Report on Form 10-K and the other documents incorporated herein by reference, before deciding whether to purchase or sell our common stock. Any or all of the following risk factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

Sales of our principal products have been and may continue to be affected by adverse economic cycles in the renovation and construction of commercial and institutional buildings.

Sales of our principal products are related to the renovation and construction of commercial and institutional buildings. This activity is cyclical and has been affected by the strength of a country's or region's general economy, prevailing interest rates and other factors that lead to cost control measures by businesses and other users of commercial or institutional space. The effects of cyclicality upon the corporate office segment tend to be more pronounced than the effects upon the institutional segment. Historically, we have generated more sales in the corporate office segment than in any other market. The effects of cyclicality upon the new construction segment of the market also tend to be more pronounced than the effects upon the renovation segment. These effects may recur and could be more pronounced if global economic conditions do not improve or are further weakened.

We compete with a large number of manufacturers in the highly competitive floorcovering products market, and some of these competitors have greater financial resources than we do.

The floorcovering industry is highly competitive. Globally, we compete for sales of floorcovering products with other carpet manufacturers and manufacturers of other types of floorcovering. Although the industry has experienced significant consolidation, a large number of manufacturers remain in the industry. Some of our competitors, including a number of large diversified domestic and foreign companies who manufacture modular carpet as one segment of their business, have greater financial resources than we do.

Our success depends significantly upon the efforts, abilities and continued service of our senior management executives and our principal design consultant, and our loss of any of them could affect us adversely.

We believe that our success depends to a significant extent upon the efforts and abilities of our senior management executives. In addition, we rely significantly on the leadership that David Oakey of David Oakey Designs provides to our internal design staff. Specifically, David Oakey Designs provides product design/production engineering services to us under an exclusive consulting contract that contains non-competition covenants. Our current agreement with David Oakey Designs extends to August 2017. The loss of any of these key persons could have an adverse impact on our business because each has a great deal of knowledge, training and experience in the carpet industry – particularly in the areas of sales, marketing, operations, product design and management – and could not easily or quickly be replaced.

Our substantial international operations are subject to various political, economic and other uncertainties that could adversely affect our business results, including by restrictive taxation or other government regulation and by foreign currency fluctuations.

We have substantial international operations. In 2014, approximately half of our net sales and a significant portion of our production were outside the United States, primarily in Europe and Asia-Pacific. Our corporate strategy includes the expansion and growth of our international business on a worldwide basis. As a result, our operations are subject to various political, economic and other uncertainties, including risks of restrictive taxation policies, changing political conditions and governmental regulations. We also make a substantial portion of our net sales in currencies other than U.S. dollars (approximately half of 2014 net sales), which subjects us to the risks inherent in currency translations. The scope and volume of our global operations make it impossible to eliminate completely all foreign currency translation risks as an influence on our financial results.

The worldwide financial and credit crisis could have a material adverse effect on our business, financial condition and results of operations.

The worldwide financial and credit crisis, which began in 2008 and continued in varying degrees for several years thereafter, has reduced the availability of liquidity and credit to fund the continuation and expansion of many business operations worldwide. This shortage of liquidity and credit, combined with substantial losses in worldwide equity markets, could lead to a worldwide economic recession and result in a material adverse effect on our business, financial condition and results of operations. Specifically, the limited availability of credit and liquidity adversely affects the ability of customers and suppliers to obtain financing for significant purchases and operations. Consequently, customers may defer, delay or cancel renovation and construction projects where our carpet is used, resulting in decreased orders and sales for us, and they also may not be able to pay us for those products and services we already have provided to them. For the same reasons, suppliers may not be able to produce and deliver raw materials and other goods and services that we have ordered from them, thus disrupting our own manufacturing operations. In addition, our ability to obtain funding from capital markets may be severely restricted at

a time when we would like, or need, to access those markets. This inability to obtain that funding could prevent us from pursuing important strategic growth plans, from reacting to changing economic and business conditions, and from refinancing existing debt (which in turn could lead to a default on our debt). The financial and credit crisis also could have an impact on the lenders under our credit facilities, causing them to fail to meet their obligations to provide us with loans and letters of credit, which are important sources of liquidity for us.

Our Syndicated Credit Facility matures in October 2019. We cannot assure you that we will be able to renegotiate or refinance this debt on commercially reasonable terms, or at all, especially given the effects of the worldwide financial and credit crisis.

Concerns regarding the European sovereign debt crisis and market perceptions about the instability of the euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the euro entirely, could adversely affect our business, results of operations or financial condition.

Following the European sovereign debt crisis that began in 2011, concerns still persist regarding the debt burden of certain countries using the euro as their currency (the "Eurozone") and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries. Despite remedial efforts undertaken by the European Commission and others, these concerns have caused instability in the euro and could lead to the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the euro currency entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of our euro-denominated assets and obligations or increase the risks of foreign currency fluctuations or cause the failure of hedging programs intended to reduce those risks. In addition, concerns over the effect of this financial crisis on financial institutions in Europe and globally could have an adverse impact on the capital markets generally, and more specifically on our ability and the ability of our customers, suppliers and lenders to finance our and their respective businesses, to access liquidity at acceptable financing costs, if at all, on the availability of supplies and materials, and on the demand for our products.

Large increases in the cost of petroleum-based raw materials could adversely affect us if we are unable to pass these cost increases through to our customers.

Petroleum-based products comprise the predominant portion of the cost of raw materials that we use in manufacturing. While we attempt to match cost increases with corresponding price increases, continued volatility in the cost of petroleum-based raw materials could adversely affect our financial results if we are unable to pass through such price increases to our customers.

Unanticipated termination or interruption of any of our arrangements with our primary third party suppliers of synthetic fiber could have a material adverse effect on us.

The unanticipated termination or interruption of any of our supply arrangements with our current suppliers of synthetic fiber (nylon), which typically are not pursuant to long-term agreements, could have a material adverse effect on us because we do not have the capability to manufacture our own fiber for use in our carpet products. If any of our supply arrangements with our primary suppliers of synthetic fiber is terminated or interrupted, we likely would incur increased manufacturing costs and experience delays in our manufacturing process (thus resulting in decreased sales and profitability) associated with shifting more of our synthetic fiber purchasing to another synthetic fiber supplier.

We have a significant amount of indebtedness, which could have important negative consequences to us.

Our significant indebtedness could have important negative consequences to us, including:

- making it more difficult for us to satisfy our obligations with respect to such indebtedness;
- increasing our vulnerability to adverse general economic and industry conditions;
- limiting our ability to obtain additional financing to fund capital expenditures, acquisitions or other growth initiatives, and other general corporate requirements;
- requiring us to dedicate a substantial portion of our cash flow from operations to interest and principal payments on our indebtedness, thereby reducing the availability of our cash flow to fund capital expenditures, acquisitions or other growth initiatives, and other general corporate requirements;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- placing us at a competitive disadvantage compared to our less leveraged competitors; and

- limiting our ability to refinance our existing indebtedness as it matures.

As a consequence of our level of indebtedness, a substantial portion of our cash flow from operations must be dedicated to debt service requirements. In addition, borrowings under our Syndicated Credit Facility have variable interest rates, and therefore our interest expenses will increase if the underlying market rates (upon which the variable interest rates are based) increase. The terms of our Syndicated Credit Facility also limit our ability and the ability of our subsidiaries to, among other things, incur additional indebtedness, pay dividends or make certain other restricted payments or investments in certain situations, consummate certain asset sales, enter into certain transactions with affiliates, create liens, merge or consolidate with any other person, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets. They also require us to comply with certain other reporting, affirmative and negative covenants and meet certain financial tests. If we fail to satisfy these tests or comply with these covenants, a default may occur, in which case the lenders could accelerate the debt as well as any other debt to which cross-acceleration or cross-default provisions apply. We cannot assure you that we would be able to renegotiate, refinance or otherwise obtain the necessary funds to satisfy these obligations.

The market price of our common stock has been volatile and the value of your investment may decline.

The market price of our common stock has been volatile in the past and may continue to be volatile going forward. Such volatility may cause precipitous drops in the price of our common stock on the Nasdaq Global Select Market and may cause your investment in our common stock to lose significant value. As a general matter, market price volatility has had a significant effect on the market values of securities issued by many companies for reasons unrelated to their operating performance. We thus cannot predict the market price for our common stock going forward.

Our earnings in a future period could be adversely affected by non-cash adjustments to goodwill, if a future test of goodwill assets indicates a material impairment of those assets.

As prescribed by accounting standards governing goodwill and other intangible assets, we undertake an annual review of the goodwill asset balance reflected in our financial statements. Our review is conducted during the fourth quarter of the year, unless there has been a triggering event prescribed by applicable accounting rules that warrants an earlier interim testing for possible goodwill impairment. In the past, we have had non-cash adjustments for goodwill impairment as a result of such testings ($61.2 million in 2008 and $44.5 million in 2007). A future goodwill impairment test may result in a future non-cash adjustment, which could adversely affect our earnings for any such future period.

Our Rights Agreement could discourage tender offers or other transactions for our stock that could result in shareholders receiving a premium over the market price for our stock.

Our Board of Directors has adopted a Rights Agreement pursuant to which holders of our common stock will be entitled to purchase from us a fraction of a share of our Series B Participating Cumulative Preferred Stock if a third party acquires beneficial ownership of 15% or more of our common stock without our consent. In addition, the holders of our common stock will be entitled to purchase the stock of an Acquiring Person (as defined in the Rights Agreement) at a discount upon the occurrence of triggering events. These provisions of the Rights Agreement could have the effect of discouraging tender offers or other transactions that could result in shareholders receiving a premium over the market price for our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We maintain our corporate headquarters in Atlanta, Georgia in approximately 20,000 square feet of leased space. The following table lists our principal manufacturing facilities and other material physical locations (some locations are comprised of multiple buildings), all of which we own except as otherwise noted:

Location	Floor Space (Sq. Ft.)
Bangkok, Thailand	275,946
Craigavon, N. Ireland(1)	80,986
LaGrange, Georgia	539,545
LaGrange, Georgia(1)	209,337
Valley, Alabama(1)	338,086
Minto, Australia	259,356
Scherpenzeel, the Netherlands	245,420
Scherpenzeel, the Netherlands(1)	121,515
West Point, Georgia	250,000
Taicang, China(1)	142,500

(1)Leased.

We maintain marketing offices in over 70 locations in over 30 countries and distribution facilities in approximately 40 locations in six countries. Most of our marketing locations and many of our distribution facilities are leased.

We believe that our manufacturing and distribution facilities and our marketing offices, particularly with our new manufacturing facility in Minto, Australia that commenced operations in January 2014, are sufficient for our present operations. We will continue, however, to consider the desirability of establishing additional facilities and offices in other locations around the world as part of our business strategy to meet expanding global market demands. Substantially all of our owned properties in the United States are subject to mortgages, which secure borrowings under our Syndicated Credit Facility.

ITEM 3. LEGAL PROCEEDINGS

We are subject to various legal proceedings in the ordinary course of business, none of which is required to be disclosed under this Item 3.

ITEM 4. MINING SAFETY DISCLOSURES

Not applicable.

PART II

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

Prior to March 5, 2012, the Company had two classes of common stock – Class A Common Stock and Class B Common Stock. On March 5, 2012, the number of issued and outstanding shares of Class B Common Stock constituted less than 10% of the aggregate number of issued and outstanding shares of the Company's Class A Common Stock and Class B Common Stock, as the cumulative result of varied transactions that caused the conversion of shares of Class B Common Stock into shares of Class A Common Stock. Accordingly, the Class A Common Stock and Class B Common Stock are now, irrevocably from March 5, 2012, a single class of Common Stock in all respects.

Our Common Stock is traded on the Nasdaq Global Select Market under the symbol TILE. As of February 13, 2015, we had 656 holders of record of our Common Stock. We estimate that there are in excess 9,000 beneficial holders of our Common Stock. The following table sets forth, for the periods indicated, the high and low sale prices of the Company's Common Stock on the Nasdaq Global Select Market as well as dividends paid during such periods.

	High	Low	Dividends Per Share
2015			
First Quarter (through February 13, 2015)	$17.28	$15.13	$ 0.00
2014			
Fourth Quarter	$16.74	$12.98	$ 0.04
Third Quarter	19.41	15.72	0.04
Second Quarter	21.13	17.11	0.03
First Quarter	22.46	18.63	0.03
2013			
Fourth Quarter	$21.74	$18.54	$ 0.03
Third Quarter	20.30	16.73	0.03
Second Quarter	19.86	15.13	0.025
First Quarter	19.96	15.76	0.025

On February 18, 2015, our Board also declared a regular quarterly cash dividend of $0.04 per share, payable March 20, 2015 to shareholders of record as of March 6, 2015. Future declaration and payment of dividends is at the discretion of our Board, and depends upon, among other things, our investment policy and opportunities, results of operations, financial condition, cash requirements, future prospects, and other factors that may be considered relevant by our Board at the time of its determination. Such other factors include limitations contained in the agreement for our Syndicated Credit Facility, which specifies conditions as to when any dividend payments may be made. As such, we may discontinue our dividend payments in the future if our Board determines that a cessation of dividend payments is proper in light of the factors indicated above.

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Stock Performance

The following graph and table compare, for the five-year period ended December 28, 2014, the Company's total returns to shareholders (stock price plus dividends, divided by beginning stock price) with that of (i) all companies listed on the Nasdaq Composite Index, and (ii) a self-determined peer group comprised primarily of companies in the commercial interiors industry, assuming an initial investment of $100 in each on January 3, 2010 (the last day of the fiscal year 2009).

	1/3/10	1/2/11	1/1/12	12/30/12	12/29/13	12/28/14
Interface, Inc.	$100	$189	$140	$193	$265	$206
NASDAQ Composite Index	$100	$118	$117	$134	$192	$224
Self-Determined Peer Group (14 Stocks)	$100	$138	$133	$188	$282	$313

Notes to Performance Graph

(1) The lines represent annual index levels derived from compound daily returns that include all dividends.
(2) The indices are re-weighted daily, using the market capitalization on the previous trading day.
(3) If the annual interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.
(4) The index level was set to $100 as of January 3, 2010 (the last day of fiscal 2009).
(5) The Company's fiscal year ends on the Sunday nearest December 31.
(6) The following companies are included in the Self-Determined Peer Group depicted above: Acuity Brands, Inc.; Albany International Corp.; Apogee Enterprises, Inc.; Armstrong World Industries, Inc.; BE Aerospace, Inc.; The Dixie Group, Inc.; Herman Miller, Inc.; HNI Corporation; Kimball International, Inc.; Knoll, Inc.; Mohawk Industries, Inc.; Steelcase, Inc.; Unifi, Inc.; and USG Corp.

Securities Authorized for Issuance Under Equity Compensation Plans

See Item 12 of Part III of this Annual Report on Form 10-K.

Issuer Purchases of Equity Securities

The following table contains information with respect to purchases made by or on behalf of the Company, or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of our common stock during our fourth quarter ended December 28, 2014:

Period[1]	Total Number of Shares Purchased[2]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[3]	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[3]
September 29 – September 30, 2014	0	$ 0	0	0
October 1 – October 31, 2014[2]	216,446	14.54	215,922	284,078
November 1 – November 30, 2014	284,078	15.87	284,078	0
December 1 – December 28, 2014[2]	1,426	15.08	0	0
Total	501,950	$ 15.30	500,000	0

[1] The monthly periods identified above correspond to the Company's fiscal fourth quarter of 2014, which commenced September 29, 2014 and ended December 28, 2014.

[2] Includes certain shares acquired by the Company from employees to satisfy income tax withholding obligations in connection with the vesting of previous grants of restricted stock awards or the exercise of non-qualified stock options.

[3] On October 7, 2014, the Company announced a program to repurchase up to 500,000 shares of common stock per fiscal year, commencing with the 2014 fiscal year.

ITEM 6. SELECTED FINANCIAL DATA

We derived the summary consolidated financial data presented below from our audited consolidated financial statements and the notes thereto for the years indicated. You should read the summary financial data presented below together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and notes thereto included within this document. Amounts for all periods presented have been adjusted for discontinued operations.

	Selected Financial Data[1]				
	2014	**2013**	**2012**	**2011**	**2010**
	(in thousands, except per share data and ratios)				
Net sales	$ 1,003,903	$ 959,989	$ 932,020	$ 953,045	$ 862,314
Cost of sales	663,876	618,880	614,841	618,303	549,184
Operating income[2]	70,295	95,630	64,648	85,700	93,107
Income from continuing operations[3]	24,808	48,255	22,899	38,270	10,297
Income (loss) from discontinued operations, net of tax	0	0	(16,956)	451	(963)
Net income	24,808	48,255	5,943	38,721	8,283
Income from continuing operations per common share attributable to Interface, Inc.					
Basic	$ 0.37	$ 0.73	$ 0.35	$ 0.59	$ 0.14
Diluted	$ 0.37	$ 0.73	$ 0.35	$ 0.58	$ 0.14
Average Shares Outstanding					
Basic	66,389	66,194	65,767	65,291	63,794
Diluted	66,448	66,297	65,900	65,486	64,262
Cash dividends per common share	$ 0.14	$ 0.11	$ 0.09	$ 0.08	$ 0.04
Property additions	38,922	91,851	42,428	38,050	31,715
Depreciation and amortization	34,675	32,605	29,175	35,317	27,927
Working capital	$ 240,881	$ 257,918	$ 273,213	$ 271,625	$ 238,937
Total assets	774,914	796,335	789,367	772,272	755,433
Total long-term debt	263,338	273,826	275,000	294,507	294,428
Shareholders' equity	306,639	340,787	295,702	281,039	248,872
Current ratio[4]	2.7	3.0	2.7	2.8	2.4

(1) In the third quarter of 2012, we sold our Bentley Prince Street business. The balances have been adjusted to reflect the discontinued operations of this business. For further analysis, see "Notes to Consolidated Financial Statements – Discontinued Operations" included in Item 8 of this Report.

(2) The following charges and items are included in our operating income. In 2014, we recorded restructuring and asset impairment charges of $12.4 million. In 2013, we recorded a gain of approximately $7.0 million related to the final settlement of our insurance claim relating to the Australia fire. In 2012, we recorded restructuring and asset impairment charges of $19.4 million as well as expenses related to the Australia fire of $1.7 million. In 2011, we recorded a restructuring and asset impairment charge of $5.8 million. In 2010, we recorded a restructuring charge of $2.9 million.

(3) Included in the 2014 income from continuing operations and in the 2014 net income is $9.2 million of pre-tax expenses related to the premium paid to redeem senior note debt as well as $2.8 million related to the unamortized debt cost that related to these notes at redemption. Included in the 2013 income from continuing operations is $1.7 million of expenses related to the retirement of debt. Included in the 2010 income from continuing operations are pre-tax expenses of $44.4 million related to bond retirement.

(4) Current ratio is the ratio of current assets to current liabilities. For purposes of computing our current ratio: (a) current assets include assets of businesses held for sale of $60.7 million for 2011, and $55.6 million for 2010. Current liabilities include liabilities of businesses held for sale of $8.3 million for 2011, and $7.9 million for 2010.

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

General

Our revenues are derived from sales of floorcovering products, primarily modular carpet (we sold our broadloom carpet operations in August 2012). Our business, as well as the commercial interiors industry in general, is cyclical in nature and is impacted by economic conditions and trends that affect the markets for commercial and institutional business space. The commercial interiors industry, including the market for floorcovering products, is largely driven by reinvestment by corporations into their existing businesses in the form of new fixtures and furnishings for their workplaces. In significant part, the timing and amount of such reinvestments are impacted by the profitability of those corporations. As a result, macroeconomic factors such as employment rates, office vacancy rates, capital spending, productivity and efficiency gains that impact corporate profitability in general, also affect our business.

During the past several years, we have successfully focused more of our marketing and sales efforts on non-corporate office segments to reduce somewhat our exposure to economic cycles that affect the corporate office market segment more adversely, as well as to capture additional market share. Our mix of corporate office versus non-corporate office modular carpet sales in the Americas has shifted over the past several years to 44% and 56%, respectively, for 2014 compared with 64% and 36%, respectively, in 2001. Company-wide, our mix of corporate office versus non-corporate office sales was 58% and 42%, respectively, in 2014. We expect a further shift in the future as we continue to implement our market diversification strategy.

During 2014, we had net sales of $1.0 billion, compared with $960.0 million in 2013. Operating income for 2014 was $70.3 million, compared with $95.6 million for 2013. Net income for 2014 was $24.8 million, or $0.37 per diluted share, compared with $48.3 million, or $0.73 per diluted share, in 2013.

Included in our results for 2014 are $12.4 million of restructuring and asset impairment charges, as discussed below. Also included in our results for 2014 are $9.2 million of expenses for the premiums paid to redeem our 7.625% Senior Notes as well as $2.8 million of expenses related to the unamortized debt costs for the retired notes at redemption. Included in our results for 2013 is a $7.0 million gain related to the settlement of our insurance claim related to the fire at our Australian manufacturing facility, as discussed below. Also included in our 2013 results are a one-time tax dispute resolution benefit of $1.9 million related to the execution of bilateral pricing agreements, and $1.7 million of expenses for the retirement of debt. Included in our results for 2012 are $19.4 million of restructuring and asset impairment charges and $1.7 million of expenses related to the Australia fire, as discussed below. Also included in our 2012 results is a loss from discontinued operations, net of tax, of $17.0 million related to the now discontinued Bentley Prince Street business segment.

Fire at Australia Facility

In July 2012, a fire occurred at our manufacturing facility in Picton, Australia, which served customers throughout Australia and New Zealand. The fire caused extensive damage to the facility, as well as disruption to business activity in the region. After the fire, we utilized adequate production capacity at our manufacturing facilities in Thailand, China, the U.S. and Europe to meet customer demand formerly serviced from Picton. While this was executed with success, there were, as expected, business disruptions and delays in shipments that affected sales following the fire. While it is difficult to quantify the financial impacts of the fire, we believe it negatively affected net sales by approximately $13-18 million during the balance of 2012, and by approximately $18-23 million during 2013. We have completed the build-out of a new manufacturing facility in Minto, Australia, which commenced operations in January 2014. For additional information on the fire, please see the Note entitled “Fire at Australian Manufacturing Facility” in Item 8 of this Report.

Discontinued Operations

In 2012, we sold our Bentley Prince Street business segment. In accordance with applicable accounting standards, we have reported the results of operations for the former Bentley Prince Street business segment as "discontinued operations," where applicable. Consequently, our discussion of sales and other results of operations (except for net income or loss amounts), including percentages derived from or based on such amounts, excludes these discontinued operations unless we indicate otherwise. Our discontinued operations had no net sales, income or loss during 2014 and 2013. Our discontinued operations had net sales of $57.0 million in 2012 (these results are included in our statements of operations as part of the "Income (loss) from discontinued operations, net of tax"). Loss from discontinued operations, inclusive of the loss on disposal as well as costs to sell the business, net of tax, was $17.0 million in 2012. The loss from discontinued operations, net of tax, for 2012 was comprised of the following after-tax amounts: (1) $8.6 million of loss on disposal; (2) $5.9 million of costs to sell the operations; and (3) $2.5 million of non-disposal loss from the discontinued operations. For additional information on discontinued operations, see the Notes entitled "Discontinued Operations" and "Taxes on Income" in Item 8 of this Report.

Restructuring Charges

2014 Restructuring Plan

In the third quarter of 2014, we committed to a new restructuring plan in our continuing efforts to reduce costs across our worldwide operations. In connection with this restructuring plan, we incurred a pre-tax restructuring and asset impairment charge in the third quarter of 2014 in an amount of $12.4 million. The charge was comprised of severance expenses of $9.7 million for a reduction of 100 employees, other related exit costs of $0.1 million, and a charge for impairment of assets of $2.6 million. Approximately $10 million of the charge will result in cash expenditures, primarily severance expense.

2012 Restructuring Plan

In 2012, we committed to a restructuring plan in our continuing efforts to reduce costs across our worldwide operations and more closely align our operations with reduced demand levels in certain markets. The plan primarily consisted of ceasing manufacturing and warehousing operations at our facility in Shelf, England. In connection with this restructuring plan, we incurred a pre-tax restructuring and asset impairment charge in the first quarter of 2012 in an amount of $16.3 million, as well as additional related charges of $0.8 million in the third quarter of 2012 and $2.3 million in the fourth quarter of 2012. These charges are comprised of severance expenses of $8.5 million for a reduction of 145 employees, other related exit costs of $1.6 million, and impairment of assets of approximately $9.4 million. Approximately $10.1 million of the charge will result in cash expenditures, primarily severance expense.

7.625% Senior Notes

In 2010, we completed a private offering of $275 million aggregate principal amount of 7.625% Senior Notes due 2018. Interest on the 7.625% Senior Notes was payable semi-annually on June 1 and December 1 (the first payment was on June 1, 2011). In November 2013, we redeemed $27.5 million aggregate principal amount of the 7.625% Senior Notes at a price equal to 103% of the principal amount of the notes redeemed, plus accrued interest to the redemption date. In November 2014, we redeemed $27.5 million aggregate principal amount of these notes at a price equal to 103% of the principal amount of notes redeemed, plus accrued interest to the redemption date. In December 2014, we redeemed the remaining $220 million of these notes at a price equal to 103.813% of their principal amount, plus accrued interest to the redemption date.

11.375% Senior Secured Notes

In 2009, we completed a private offering of $150 million aggregate principal amount of 11.375% Senior Secured Notes due 2013 (the “11.375% Senior Secured Notes”). Interest on the 11.375% Senior Secured Notes was payable semi-annually on May 1 and November 1 (the first interest payment was on November 1, 2009). The 11.375% Senior Secured Notes were guaranteed, jointly and severally, on a senior secured basis by certain of our domestic subsidiaries. The 11.375% Senior Secured Notes were secured by a second-priority lien on substantially all of our and certain of our domestic subsidiaries’ assets that secure our Syndicated Credit Facility (discussed below) on a first-priority basis.

Following the sale of our 7.625% Senior Notes and the repurchase of $141.9 million aggregate principal amount of our 11.375% Senior Secured Notes with the proceeds, $8.1 million aggregate principal amount of our 11.375% Senior Secured Notes remained outstanding. These remaining 11.375% Senior Secured Notes were repaid at maturity in November 2013.

Analysis of Results of Operations

The following discussion and analyses reflect the factors and trends discussed in the preceding sections.

Our net sales that were denominated in currencies other than the U.S. dollar were approximately 51% in 2014, 52% in 2013, and 51% in 2012. Because we have such substantial international operations, we are impacted, from time to time, by international developments that affect foreign currency transactions. For example, the performance of the euro against the U.S. dollar, for purposes of the translation of European revenues into U.S. dollars, favorably affected our reported results during 2013, when the euro was strengthening relative to the U.S. dollar. During 2014, the euro remained relatively stable versus the U.S. dollar and, as such (and despite the significant decline of the euro versus the U.S. dollar in the fourth quarter of 2014), there was not a significant impact on net sales or operating income. During 2012, the dollar strengthened versus the euro, having a negative effect on our reported results. The following table presents the amount (in U.S. dollars) by which the exchange rates for converting euros into U.S. dollars have affected our net sales and operating income during the past three years:

	2014	**2013**	**2012**
	(in millions)		
Net sales	$0.3	$8.8	$(23.5)
Operating income	0.0	0.7	(2.0)

The following table presents, as a percentage of net sales, certain items included in our Consolidated Statements of Operations during the past three years:

	Fiscal Year		
	2014	**2013**	**2012**
Net sales	100.0%	100.0%	100.0%
Cost of sales	66.1	64.5	66.0
Gross profit on sales	33.9	35.5	34.0
Selling, general and administrative expenses	25.6	26.3	24.8
Restructuring and asset impairment charges	1.2	0.0	2.1
Expenses (gain) related to Australia fire	0.0	(0.7)	0.2
Operating income	7.0	10.0	6.9
Interest/Other expense	2.3	2.6	2.9
Debt retirement expenses	1.2	0.2	0.0
Income from continuing operations before tax	3.6	7.2	4.1
Income tax expense	1.1	2.2	1.6
Income from continuing operations	2.5	5.0	2.5
Discontinued operations, net of tax	0.0	0.0	(1.8)

Net income	2.5	5.0	0.6

Net Sales

Below we provide information regarding our net sales and analyze those results for each of the last three fiscal years. Fiscal years 2014, 2013 and 2012 were 52-week periods. (As a result of the sale of our Bentley Prince Street Segment in 2012, we currently have only one segment for segment reporting purposes.)

	Fiscal Year			**Percentage Change**	
	2014	**2013**	**2012**	**2014 compared with 2013**	**2013 compared with 2012**
	(in thousands)				
Net Sales	$1,003,903	$959,989	$932,020	4.6%	3.0%

Net Sales for 2014 Compared with 2013

For 2014, net sales increased $43.9 million (4.6%) versus 2013. This increase primarily occurred in our Americas and Europe businesses, due largely to the continued economic recoveries in those regions. On a geographic basis, we experienced sales increases in each of our major operating regions, with the Americas up 5%, Europe up 5% (6% in local currency) and Asia-Pacific up 1% (5% in local currency). On a consolidated basis, fluctuations in currency had a small (approximately 1%) negative impact on net sales, primarily in Australia, which is within our Asia-Pacific region.

In the Americas, the increase was due largely to the continued strength and recovery of the corporate office market segment, where our sales grew 4%. We also had sales growth in all non-office market segments with the exception of healthcare, which was down less than 1%. The most significant of the non-office segment increases were in the hospitality (up 55%) and residential (up 15%) segments. The sales increase in the hospitality segment is due to our continued focus on penetrating this segment through large hotel chains, with most success occurring in the U.S. The increase in the residential segment primarily occurred in the multi-family residential channel, as our FLOR consumer business experienced essentially even sales compared with 2013. The weighted average selling price per square yard in the Americas was up approximately 1% in 2014 versus 2013.

In Europe, the sales increase was due primarily to growth in the corporate office market (up 9% in U.S. Dollars, 11% in local currency), mostly in Western Europe and particularly in the United Kingdom and Germany. The government segment (down 10% in U.S. Dollars, 8% in local currency) experienced the most significant decrease in the region, mostly due to the continued austerity measures that were in place during the year. The weighted average selling price per square yard in Europe increased approximately 4% during 2014, a result of the continued economic recovery in the region as well as the premium positioning of our products. Notably, the euro experienced a significant decline versus the U.S. dollar during the fourth quarter of 2014, and as a result our sales in Europe for that quarterly period experienced an increase of 6% in local currency but a 2% decrease as reported in U.S. dollars.

In Asia-Pacific, the sales increase occurred mostly in the corporate office (up 3%), healthcare (up over 100%) and education (up 15%) market segments. However, these increases were almost entirely offset by declines in the government (down 42%) and retail (down 20%) segments. On a consolidated basis, the translation of Australian dollars into U.S. dollars had a negative impact on this region’s 2014 sales performance – in local currency, Australia sales were up more than 9%, but up only 2% as reported in U.S. dollars. This currency impact was particularly acute in the fourth quarter of 2014, when the increase in Australia dollars was approximately 20% but was approximately 11% as reported in U.S. dollars. Outside of Australia, sales in the remainder of the Asia-Pacific region were essentially flat in 2014 versus 2013. The weighted average selling price per square yard in Asia-Pacific in 2014 decreased approximately 1%, largely due to the impact of the decline of the Australian dollar versus the U.S. dollar.

Net Sales for 2013 Compared with 2012

For 2013, net sales increased $28.0 million (3.0%) versus 2012. This increase was due primarily to the strength of the economic recovery in the Americas, coupled with lower rates of decline in our international markets compared with 2012. On a geographic basis, we experienced a sales increase in the Americas (up 7.3%), which was partially offset by decreases in Europe (down 2.0% in U.S. dollars, 5.3% in local currency) and Asia-Pacific (down 2.5%). On a consolidated basis, fluctuations in currency exchange rates did not have a significant impact on the change in sales for 2013 compared with 2012.

In the Americas, the increase primarily occurred in three of our market segments – corporate office, residential and hospitality. The corporate office segment experienced an increase of 9%, due primarily to the continued rebound of the commercial office market in the United States. The residential market segment saw an increase of 38%, due to the growth of our FLOR residential business. The increase in the hospitality market segment (up 37%) was a direct result of our continued sales and marketing efforts in this market over the prior two years. Only the retail segment (down 7%) experienced a significant decline. The weighted average selling price per square yard in the Americas saw an increase of approximately 3% versus 2012.

In Europe, the sales decrease was a result of the continued macroeconomic uncertainty in the region. The decline occurred across virtually all market segments, with the corporate office (down 1% in U.S. dollars, 4% in local currency), retail (down 19% in U.S. dollars, 21% in local currency) and government (down 7% in U.S. dollars, 10% in local currency) being the most significant. The weighted average selling price per square yard in Europe was up slightly year over year in U.S. dollars and down less than 2% in local currency. In the fourth quarter of 2013, we saw a 4% sales increase in Europe in U.S. dollars (essentially flat in local currency) versus the fourth quarter of 2012, demonstrating some stabilization in the market at the close of the year

In Asia-Pacific, the sales decline was largely a result of our performance in Australia, where we had lower sales as a result of the continued effect of the fire at our Australia manufacturing facility in 2012. The fire led to increased lead times for orders and other business disruptions that had a negative impact in the marketplace. The weakening of the Australian dollar in 2013 versus 2012 was another factor in the decline. The decrease in Australia was partially offset by sales increases in the rest of the Asia-Pacific region, particularly in China and Southeast Asia. The majority of the sales decline in Asia-Pacific occurred in the corporate office (down 10%), healthcare (down 51%) and education (down 14%) market segments. These decreases were mitigated somewhat by increases in the retail (up 67%), government (up 67%) and hospitality (up 55%) market segments. The weighted average selling price per square yard in the Asia-Pacific region declined approximately 4% in 2013 versus 2012.

Cost and Expenses

The following table presents our overall cost of sales and selling, general and administrative expenses during the past three years:

Cost and Expenses	**Fiscal Year**			**Percentage Change**	
	2014	**2013**	**2012**	**2014 compared with 2013**	**2013 compared with 2012**
	(in thousands)				
Cost of Sales	$663,876	$618,880	$614,841	7.3%	0.7 %
Selling, General and Administrative Expenses	257,346	252,433	231,358	1.9%	9.1 %
Total	$921,222	$871,313	$846,199	5.7%	3.0 %

For 2014, our cost of sales increased $45.0 million (7.3%) versus 2013. Fluctuations in currency exchange rates had a slight negative impact (1%) year over year. On a per-unit basis, we did not experience any significant difference in the cost of our raw materials in 2014 versus 2013. Most of the $45.0 million year over year increase in cost of sales was directly attributable to additional raw materials costs (approximately $30 million) and labor costs (approximately $4 million) associated with higher production volumes in 2014, particularly in the second half of the year. Of the remainder of the year over year increase, the majority is related to both the increased fixed costs as well as the inefficiencies associated with the start-up of our new and larger manufacturing facility in Australia which opened in January of 2014. These inefficiencies occurred primarily in the first six months of 2014. As a result of these items, as a percentage of sales, cost of sales increased to 66.1% in 2014, compared with 64.5% in 2013.

For 2013, our cost of sales increased $4.0 million (1%) versus 2012. Fluctuations in currency exchange rates had a slight negative impact (less than 1%) year over year. The primary components of this increase in cost of sales were increases in raw material costs (approximately $3 million) and labor costs (approximately $0.4 million) associated with higher production volumes, particularly in the second and third quarters of 2013 versus the prior year periods. On a per unit basis, we did not experience any significant cost differences in raw materials in 2013 versus 2012. We saw gross margin expansion in our Europe and Asia-Pacific regions during 2013, especially in the fourth quarter, due to continued implementation of our lean manufacturing initiatives and streamlining of our supply chain in the Asia-Pacific region. As a result of these items, cost of sales decreased, as a percentage of sales, to 64.5% in 2013 versus 66.0% in 2012.

For 2014, our selling, general and administrative expenses increased $4.9 million (1.9%) versus 2013. Fluctuations in currency exchange rates did not have a significant impact on the comparison. The largest driver of the increase was

$5.6 million of higher selling expenses commensurate with the sales growth in each of our three operating regions. We also had increased marketing expenses of approximately $1.2 million, split evenly between our European modular carpet business and our FLOR consumer business. The increased marketing expense in Europe related to campaigns designed to further engage the architect and design community, while the increase in our FLOR business related to web-based marketing efforts. These increases were offset by a decline in administrative expenses of approximately $1.9 million, mostly due to lower incentive compensation in 2014 versus 2013, as well as the impacts of our restructuring actions in the third quarter of 2014. The benefits of the restructuring actions were particularly evident in the fourth quarter of 2014, when our selling, general and administrative expenses, as a percentage of sales, declined to 23.8% versus 26.6% for the fourth quarter of 2013. For the full year 2014, our selling, general and administrative expenses, as a percentage of sales, declined to 25.6%, versus 26.3% in 2013.

For 2013, our selling, general and administrative expenses increased $21.1 million (9.1%) versus 2012. Fluctuations in currency exchange rates did not have a significant impact on the increase. The largest component of the change in selling, general and administrative expenses was an increase in selling costs of $9.2 million. The majority of this increase ($8.3 million) was in the Americas region, comprised of approximately $4.3 million of increased selling expenses for our FLOR store platform as it expanded to a total of 21 stores during 2013 and $3.9 million of increased selling costs at our core modular business in the Americas due to additions of sales people and other personnel in the sales group. We also experienced an increase in marketing costs of $3.0 million, primarily in the Americas ($2.0 million) and Europe ($1.0 million) divisions, related to targeted marketing programs designed to drive sales in non-corporate office market segments. The remainder of the increase was research and development and administrative costs, driven primarily by increased stock compensation expense ($4.6 million) related to new grants in 2013 as well as vesting of grants based on performance targets being met to a greater extent during 2013 versus 2012. Due to the above factors, as a percentage of net sales, selling, general and administrative expenses increased to 26.3% in 2013 versus 24.8% in 2012.

Interest Expense

For 2014, interest expense decreased $3.0 million to $20.8 million, versus $23.8 million in 2013. The primary reasons for the decrease were the redemption of $27.5 million of our 7.625% Senior Notes and the repayment at maturity of the remaining $8.1 million of our 11.375% Senior Subordinated Notes, each in the fourth quarter of 2013. In addition, as described above, we redeemed all of the remaining 7.625% Senior Notes in the fourth quarter of 2014, which also contributed to the interest expense decline. Although we incurred borrowings under our Syndicated Credit Facility to refinance the notes that were repaid and redeemed during 2013 and 2014, the borrowings under our Syndicated Credit Facility are at a significantly lower interest rate (currently less than 2.5% annually) than the interest rates on the notes that were refinanced.

For 2013, interest expense decreased $1.2 million to $23.8 million versus $25.0 million in 2012. This decrease was primarily due to the repayment of the $8.1 million balance of our 11.375% Senior Secured Notes at maturity in November 2013 and the early redemption of $27.5 million of our 7.625% Senior Notes in November 2013. Although we subsequently borrowed under our Syndicated Credit Facility in December of 2013, the borrowing was at a significantly lower interest rate than the notes which were repaid in November 2013.

Tax

Our effective tax rate in 2014 was 30.6%, compared with an effective tax rate of 30.1% in 2013. This relative consistency in effective tax rate was primarily attributable to favorable tax effects related to foreign operations realized in both years. In addition, there was less of an increase due to valuation allowances related to state net operating loss carryforwards in 2014, which offset the decrease we realized in 2013 related to the favorable settlement of our Canada-U.S. bilateral advanced pricing agreement. For additional information on taxes and a reconciliation of effective tax rates to statutory tax rates, see the Note entitled “Taxes on Income” in Item 8 of this Report.

Our effective tax rate in 2013 was 30.1%, compared with an effective rate of 39.9% in 2012. This decrease in effective rate was primarily attributable to (1) the settlement of our Canada-U.S. bilateral advanced pricing agreement, (2) a decrease in nondeductible business expenses, (3) a decrease in nondeductible reserves against capital assets, (4) an effective foreign tax rate that is lower than the federal statutory rate coupled with a significant increase of foreign earnings from 2012 to 2013, and (5) an effective state tax rate that is lower due to a larger proportion of foreign earnings in 2013. In addition, there was an increase in the effective rate attributable to valuation allowances related to state net operating loss carryforwards. For additional information on taxes and a reconciliation of effective tax rates to statutory tax rates, see the Note entitled “Taxes on Income” in Item 8 of this Report.

Liquidity and Capital Resources

General

In our business, we require cash and other liquid assets primarily to purchase raw materials and to pay other manufacturing costs, in addition to funding normal course selling, general and administrative expenses, anticipated capital expenditures, interest expense and potential special projects. We generate our cash and other liquidity requirements primarily from our operations and from borrowings or letters of credit under our Syndicated Credit Facility discussed below. We believe that we will be able to continue to enhance the generation of free cash flow through the following initiatives:

- Improving our inventory turns by continuing to implement a made-to-order model throughout our organization;
- Reducing our average days sales outstanding through improved credit and collection practices; and
- Limiting the amount of our capital expenditures generally to those projects that have a short-term payback period.

Historically, we use more cash in the first half of the fiscal year, as we fund insurance premiums, tax payments, incentive compensation and inventory build-up in preparation for the holiday/vacation season of our international operations.

In addition, we have a high contribution margin business with low capital expenditure requirements. Contribution margin represents variable gross profit margin less the variable component of selling, general and administrative expenses, and for us is an indicator of profit on incremental sales after the fixed components of cost of sales and selling, general and administrative expenses have been recovered. While contribution margin should not be construed as a substitute for gross margin, which is determined in accordance with GAAP, it is included herein to provide additional information with respect to our potential for profitability. In addition, we believe that investors find contribution margin to be a useful tool for measuring our profitability on an operating basis.

At December 28, 2014, we had $54.9 million in cash. Approximately $15.9 million of this cash was located in the United States, and the remaining $38.9 million was located at our international locations. Our position is that the cash located outside of the United States is permanently reinvested in the respective jurisdictions (except as identified below). We believe that our strategic plans and business needs support the status of our cash in foreign locations. Of the $38.9 million cash in foreign jurisdictions, approximately $2.4 million represents earnings which we have determined are not permanently reinvested, and as such we have provided for U.S. federal and state income taxes on these amounts in accordance with applicable accounting standards.

As of December 28, 2014, we had $263.3 million of borrowings and $3.3 million in letters of credit outstanding under our Syndicated Credit Facility. Of those borrowings outstanding, $200 million were Term Loan A borrowings and $63.3 million were revolving loan borrowings. As of December 28, 2014, we could have incurred $183.4 million of additional revolving loan borrowings under our Syndicated Credit Facility. In addition, we could have incurred the equivalent of $19.0 million of borrowings under our other credit facilities in place at other non-U.S. subsidiaries.

We have approximately $43.1 million in contractual cash obligations due by the end of fiscal year 2015, which includes, among other things, pension cash contributions, interest payments on our debt and lease commitments. Based on current interest rate and debt levels, we expect our aggregate interest expense for 2015 to be between $8 million and $10 million. We estimate aggregate capital expenditures in 2015 to be between $40 million and $50 million, although we are not committed to these amounts.

In 2010, we completed a private offering of $275 million aggregate principal amount of 7.625% Senior Notes. Interest on the 7.625% Senior Notes was payable semi-annually on June 1 and December 1 (the first payment was made on June 1, 2011). In the fourth quarter of 2013, we redeemed $27.5 million aggregate principal amount of the 7.625% Senior Notes at a price equal to 103% of the principal amount of the notes redeemed, plus accrued interest to the redemption date. In the fourth quarter of 2014, we redeemed $27.5 million aggregate principal amount of the 7.625% Senior Notes at a price equal to 103% of their principal amount, plus accrued interest, and redeemed the remaining $220 million aggregate principal amount of these notes at a price equal to 103.813% of their principal amount, plus accrued interest. The redemption transactions in the fourth quarter of 2014 required an aggregate of $266.1 million (including principal payments, premiums and accrued interest), which was funded through a combination of term loan and revolving loan borrowings under the Syndicated Credit Facility and cash on hand.

It is important for you to consider that we have a significant amount of indebtedness. Our Syndicated Credit Facility matures in October 2019. We cannot assure you that we will be able to renegotiate or refinance any of our debt on commercially reasonable terms, or at all. If we are unable to refinance our debt or obtain new financing, we would have to consider other options, such as selling assets to meet our debt service obligations and other liquidity needs, or using cash, if available, that would have been used for other business purposes.

Syndicated Credit Facility

We have a syndicated credit facility (the “Facility”) pursuant to which the lenders provide to us and certain of our subsidiaries a multicurrency revolving credit facility and provide to us a term loan. The key features of the Facility are as follows:

- The Facility matures on October 3, 2019.
- The Facility includes (i) a multicurrency revolving loan facility made available to the Company and our principal subsidiaries in Europe and Australia not to exceed $240 million in the aggregate at any one time outstanding, and (ii) a revolving loan facility made available to our principal subsidiary in Thailand not to exceed the equivalent of $10 million in the aggregate at any one time outstanding. A sublimit of $40 million exists for the issuance of letters of credit under the Facility.
- The Facility includes $200 million of Term Loan A borrowing availability which could be used (and was in fact used) to refinance our 7.625% Senior Notes due 2018.
- The Facility provides for required amortization payments of the Term Loan A borrowing, as well as mandatory prepayments of the Term Loan A borrowing (and any term loans made available pursuant to any future multicurrency loan facility increase) from certain asset sales, casualty events and debt issuances, subject to certain qualifications and exceptions as provided for therein.
- Advances under the Facility are secured by a first-priority lien on substantially all of Interface, Inc.’s assets and the assets of each of our material domestic subsidiaries, which have guaranteed the Facility.
- The Facility contains financial covenants (specifically, a consolidated net leverage ratio and a consolidated interest coverage ratio) that must be met as of the end of each fiscal quarter.
- We have the option to increase the borrowing availability under the Facility, either for revolving loans or term loans, by up to $150 million, subject to the receipt of lender commitments for the increase and the satisfaction of certain other conditions.

Interest Rates and Fees. Interest on base rate loans is charged at varying rates computed by applying a margin ranging from 0.25% to 1.50% over the applicable base interest rate (which is defined as the greatest of the prime rate, a specified federal funds rate plus 0.50%, or a specified LIBOR rate), depending on our consolidated net leverage ratio as of the most recently completed fiscal quarter. Interest on LIBOR-based loans and fees for letters of credit are charged at varying rates computed by applying a margin ranging from 1.25% to 2.50% over the applicable LIBOR rate, depending on our consolidated net leverage ratio as of the most recently completed fiscal quarter. In addition, we pay a commitment fee ranging from 0.20% to 0.35% per annum (depending on our consolidated net leverage ratio as of the most recently completed fiscal quarter) on the unused portion of the Facility.

Amortization Prepayments. We are required to make amortization payments of the Term Loan A borrowing. The amortization payments are due on the last day of the calendar quarter, commencing with an initial amortization payment of $2.5 million on December 31, 2015. The quarterly amortization payment amount increases to $3.75 million on December 31, 2016.

Covenants. The Facility contains standard and customary covenants for agreements of this type, including various reporting, affirmative and negative covenants. Among other things, these covenants limit our ability to:

- create or incur liens on assets;
- make acquisitions of or investments in businesses (in excess of certain specified amounts);
- incur indebtedness or contingent obligations;
- sell or dispose of assets (in excess of certain specified amounts);
- pay dividends or repurchase our stock (in excess of certain specified amounts);
- repay other indebtedness prior to maturity unless we meet certain conditions; and
- enter into sale and leaseback transactions.

The Facility also requires us to remain in compliance with the following financial covenants as of the end of each fiscal quarter, based on our consolidated results for the year then ended:

- Consolidated Net Leverage Ratio: Must be no greater than (i) 4.50:1.00 through and including the fiscal quarter ending December 28, 2014, (ii) 4.00:1.00 from and including the fiscal quarter ending April 5, 2015 through and including the fiscal quarter ending January 3, 2016, and (iii) 3.75:1.00 for each fiscal quarter thereafter.
- Consolidated Interest Coverage Ratio: Must be no less than 2.25:1.00 as of the end of any fiscal quarter.

Events of Default. If we breach or fail to perform any of the affirmative or negative covenants under the Facility, or if other specified events occur (such as a bankruptcy or similar event or a change of control of Interface, Inc. or certain subsidiaries, or if we breach or fail to perform any covenant or agreement contained in any instrument relating to any of our other indebtedness exceeding $20 million), after giving effect to any applicable notice and right to cure provisions, an event of default will exist. If an event of default exists and is continuing, the lenders' Administrative

Agent may, and upon the written request of a specified percentage of the lender group shall:

- declare all commitments of the lenders under the facility terminated;
- declare all amounts outstanding or accrued thereunder immediately due and payable; and
- exercise other rights and remedies available to them under the agreement and applicable law.

Collateral. Pursuant to a Security and Pledge Agreement executed on the same date, the Facility is secured by substantially all of the assets of Interface, Inc. and our domestic subsidiaries (subject to exceptions for certain immaterial subsidiaries), including all of the stock of our domestic subsidiaries and up to 65% of the stock of our first-tier material foreign subsidiaries. If an event of default occurs under the Facility, the lenders' Administrative Agent may, upon the request of a specified percentage of lenders, exercise remedies with respect to the collateral, including, in some instances, foreclosing mortgages on real estate assets, taking possession of or selling personal property assets, collecting accounts receivables, or exercising proxies to take control of the pledged stock of domestic and first-tier material foreign subsidiaries.

As of December 28, 2014 we had $200 million of Term Loan A borrowings and $63.3 million of revolving loan borrowings outstanding under the Facility, and had $3.3 million in letters of credit outstanding under the Facility.

We are presently in compliance with all covenants under the Syndicated Credit Facility and anticipate that we will remain in compliance with the covenants for the foreseeable future.

Senior Notes

As described above, all of our remaining 7.625% Senior Notes were redeemed in full in the fourth quarter of 2014.

Analysis of Cash Flows

Our primary sources of cash during 2014 were: (1) $200 million of Term Loan A borrowings and $48.9 million of revolving loan borrowings under our Syndicated Credit Facility; (2) $15.4 million due to an increase in accounts payable and accruals; and (3) $2.8 million due to a decrease in prepaid expenses and other current assets. Our primary uses of cash during 2014 were: (1) $256.8 million used to redeem our formerly outstanding 7.625% Senior Notes (comprised of $247.5 million for principal payments, and $9.3 million for premium payments); (2) $29.3 million due to an increase in accounts receivable; (3) $9.9 million used to repay a portion of our outstanding revolving loan borrowings under our Syndicated Credit Facility; (4) $9.3 million used to pay dividends on our common stock; and (5) $7.7 million used to repurchase 500,000 shares of our common stock.

Our primary sources of cash during 2013 were: (1) $56.0 million of proceeds received from our insurance company on our claim related to the fire at our Australia manufacturing facility in 2012; (2) $26.3 million of borrowings under our Syndicated Credit Facility; and (3) $3.5 million due to a reduction in accounts receivable. Our primary uses of cash in 2013 were: (1) $91.9 million of capital expenditures, which included expenditures for the purchase and build-out of our new manufacturing facility in Minto, Australia; (2) $35.6 million of cash used to retire the remainder ($8.1 million aggregate principal amount) of our 11.375% Senior Secured Notes and a portion ($27.5 million aggregate principal amount) of our 7.625% Senior Notes; and (3) $17.3 million due to a decrease in accounts payable and accruals.

Our primary sources of cash during 2012 were: (1) $32.2 million of net proceeds from the sale of our Bentley Prince Street business segment; (2) $20.0 million as a result of a reduction of accounts receivable; and (3) $20.7 million of proceeds from the insurance company with regard to the fire at our Australian facility. Our primary uses of cash during 2012 were: (1) $42.4 million of capital expenditures; (2) an increase of prepaid expenses and other current assets of $11.9 million, primarily related to the insurance receivable for our fire claim in Australia; and (3) $11.5 million for the redemption of the remainder of our former 9.5% Senior Subordinated Notes.

We believe that our liquidity position will provide sufficient funds to meet our current commitments and other cash requirements for the foreseeable future.

Funding Obligations

We have various contractual obligations that we must fund as part of our normal operations. The following table discloses aggregate information about our contractual obligations (including the remaining contractual obligations related to our discontinued operations) and the periods in which payments are due. The amounts and time periods are measured from December 28, 2014.

	Payments Due by Period				
	Total Payments Due	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
	(in thousands)				
Long-Term Debt Obligations	$263,338	$0	$28,750	$234,588	$0
Operating Lease Obligations(1)	66,840	18,969	24,379	11,747	11,745
Expected Interest Payments(2)	27,960	5,701	11,402	10,857	0
Unconditional Purchase Obligations(3)	11,241	8,679	2,422	140	0
Pension Cash Obligations(4)	108,866	9,749	19,921	21,107	58,089
Total Contractual Cash Obligations(5)	$478,245	$43,098	$86,874	$278,439	$69,834

(1) Our capital lease obligations are insignificant.

(2) Expected interest payments to be made in future periods reflect anticipated interest payments related to the $200 million of Term Loan A borrowings outstanding and the $63.3 million of revolving loan borrowings outstanding under our Syndicated Credit Facility as of December 28, 2014. We have also assumed in the presentation above that these notes and borrowings will remain outstanding until maturity.

(3) Unconditional purchase obligations do not include unconditional purchase obligations that are included as liabilities in our Consolidated Balance Sheet. Our capital expenditure commitments are not significant.

(4) We have two foreign defined benefit plans and a domestic salary continuation plan. We have presented above the estimated cash obligations that will be paid under these plans over the next ten years. Such amounts are based on several estimates and assumptions and could differ materially should the underlying estimates and assumptions change. Our domestic salary continuation plan is an unfunded plan, and we do not currently have any commitments to make contributions to this plan. However, we do use insurance instruments to hedge our exposure under the salary continuation plan. Contributions to our other employee benefit plans are at our discretion.

(5) The above table does not reflect unrecognized tax benefits of $27.3 million, the timing of which payments are uncertain. See the Note entitled “Taxes on Income” in Item 8 of this Report for further information.

Critical Accounting Policies

The policies discussed below are considered by management to be critical to an understanding of our consolidated financial statements because their application places the most significant demands on management's judgment, with financial reporting results relying on estimations about the effects of matters that are inherently uncertain. Specific risks for these critical accounting policies are described in the following paragraphs. For all of these policies, management cautions that future events may not develop as forecasted, and the best estimates routinely require adjustment.

Revenue Recognition. The vast majority of our revenue is recognized at the date of shipment when the following criteria are met: persuasive evidence of an agreement exists, price to the buyer is fixed and determinable, and collectability is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership, which is generally on the date of shipment. Provisions for discounts, sales returns and allowances are estimated using historical experience, current economic trends, and the company's quality performance. The related provision is recorded as a reduction of sales and cost of sales in the same period that the revenue is recognized. Accordingly, our estimates and assumptions regarding revenue recognition primarily relate to sales returns and allowances, which historically have been in the range of 2.5-3.0% of gross sales. Over the last several years, we have not experienced any significant fluctuation in sales returns and allowances, our estimates and assumptions related thereto have not changed significantly, and we believe our estimates and assumptions to be reasonably accurate. Management also believes this past experience can be relied upon for such estimates and assumptions in future periods, as our business model and customer mix have not changed significantly.

A small percentage (approximately 5%) of our revenue relates to flooring installation projects, which generally involve short time periods (typically less than two weeks) and therefore present little risk of material difference due to changes in experience.

Shipping and handling fees billed to customers are classified in net sales in the consolidated statements of operations. Shipping and handling costs incurred are classified in cost of sales in the consolidated statements of operations.

Impairment of Long-Lived Assets. Long-lived assets are reviewed for impairment at the asset group level whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the sum of the expected future undiscounted cash flow is less than the carrying amount of the asset, an impairment is indicated. A loss is then recognized for the difference, if any, between the fair value of the asset (as estimated by management using its best judgment) and the carrying value of the asset. If actual market value is less favorable than that estimated by management, additional write-downs may be required.

Deferred Income Tax Assets and Liabilities. The carrying values of deferred income tax assets and liabilities reflect the application of our income tax accounting policies in accordance with applicable accounting standards, and are based on management's assumptions and estimates regarding future operating results and levels of taxable income, as well as management's judgment regarding the interpretation of the provisions of applicable accounting standards. The carrying values of liabilities for income taxes currently payable are based on management's interpretations of applicable tax laws, and incorporate management's assumptions and judgments regarding the use of tax planning strategies in various taxing jurisdictions. The use of different estimates, assumptions and judgments in connection with accounting for income taxes may result in materially different carrying values of income tax assets and liabilities and results of operations.

We evaluate the recoverability of these deferred tax assets by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates. We use our historical experience and our short and long-term business forecasts to provide insight. Further, our global business portfolio gives us the opportunity to employ various prudent and feasible tax planning strategies to facilitate the recoverability of future deductions. To the extent we do not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established. As of December 28, 2014 and December 29, 2013, we had approximately $100.1 million and $113.7 million of U.S. federal net operating loss carryforwards, respectively. In addition, as of December 28, 2014 and December 29, 2013, we had state net operating loss carryforwards of $209.0 million and $193.0 million, respectively. As of December 28, 2014 and December 29, 2013, we had approximately $4.0 million and $2.0 million of foreign net operating loss carryforwards, respectively. Certain of these carryforwards are reserved with a valuation allowance because, based on the available evidence, we believe it is more likely than not that we would not be able to utilize those deferred tax assets in the future. The remaining year-end 2014 amounts are expected to be fully recoverable within the applicable statutory expiration periods. If the actual amounts of taxable income differ from our estimates, the amount of our valuation allowance could be materially impacted.

Goodwill. Pursuant to applicable accounting standards, we test goodwill for impairment at least annually using a two step approach. In the first step of this approach, we prepare valuations of reporting units, using both a market comparable approach and an income approach, and those valuations are compared with the respective book values of the reporting units to determine whether any goodwill impairment exists. In preparing the valuations, past, present and expected future performance is considered. If impairment is indicated in this first step of the test, a step two valuation approach is performed. The step two valuation approach compares the implied fair value of goodwill to the book value of goodwill. The implied fair value of goodwill is determined by allocating the estimated fair value of the reporting unit to the assets and liabilities of the reporting unit, including both recognized and unrecognized intangible assets, in the same manner as goodwill is determined in a business combination under applicable accounting standards. After completion of this step two test, a loss is recognized for the difference, if any, between the fair value of the goodwill associated with the reporting unit and the book value of that goodwill. If the actual fair value of the goodwill is determined to be less than that estimated, an additional write-down may be required.

During the fourth quarters of 2014, 2013 and 2012, we performed the annual goodwill impairment test. We perform this test at the reporting unit level. For our reporting units which carried a goodwill balance as of December 28, 2014, no impairment of goodwill was indicated. As of December 28, 2014, if our estimates of the fair value of our reporting units were 10% lower, we believe no additional goodwill impairment would have existed.

Inventories. We determine the value of inventories using the lower of cost or market. We write down inventories for the difference between the carrying value of the inventories and their net realizable value. If actual market conditions are less favorable than those projected by management, additional write-downs may be required.

We estimate our reserves for inventory obsolescence by continuously examining our inventories to determine if there are indicators that carrying values exceed net realizable values. Experience has shown that significant indicators that could require the need for additional inventory write-downs are the age of the inventory, the length of its product life cycles, anticipated demand for our products and current economic conditions. While we believe that adequate write-downs for inventory obsolescence have been made in the consolidated financial statements, consumer tastes and preferences will continue to change and we could experience additional inventory write-downs in the future. Our inventory reserve on December 28, 2014, and December 29, 2013, was $14.8 million and $13.4 million, respectively. To the extent that actual obsolescence of our inventory differs from our estimate by 10%, our 2014 net income would be higher or lower by approximately $1.0 million, on an after-tax basis.

Pension Benefits. Net pension expense recorded is based on, among other things, assumptions about the discount rate, estimated return on plan assets and salary increases. While management believes these assumptions are reasonable, changes in these and other factors and differences between actual and assumed changes in the present value of liabilities or assets of our plans above certain thresholds could cause net annual expense to increase or decrease materially from year to year. The actuarial assumptions used in our salary continuation plan and our foreign defined benefit plans reporting are reviewed periodically and compared with external benchmarks to ensure that they appropriately account for our future pension benefit obligation. The expected long-term rate of return on plan assets assumption is based on weighted average expected returns for each asset class. Expected returns reflect a combination

of historical performance analysis and the forward-looking views of the financial markets, and include input from actuaries, investment service firms and investment managers. The table below represents the changes to the projected benefit obligation as a result of changes in discount rate assumptions:

Foreign Defined Benefit Plans	**Increase (Decrease) in Projected Benefit Obligation** *(in millions)*
1% increase in actuarial assumption for discount rate	$ (45.4)
1% decrease in actuarial assumption for discount rate	$ 49.5

Domestic Salary Continuation Plan	**Increase (Decrease) in Projected Benefit Obligation** *(in millions)*
1% increase in actuarial assumption for discount rate	$ (2.8)
1% decrease in actuarial assumption for discount rate	$ 3.4

Environmental Remediation. We provide for environmental remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs is reasonably determinable. Remediation liabilities are accrued based on estimates of known environmental exposures and are discounted in certain instances. We regularly monitor the progress of environmental remediation. Should studies indicate that the cost of remediation is to be more than previously estimated, an additional accrual would be recorded in the period in which such determination is made. As of December 28, 2014, no significant amounts were provided for remediation liabilities.

Allowances for Doubtful Accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. Estimating this amount requires us to analyze the financial strengths of our customers. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. By its nature, such an estimate is highly subjective, and it is possible that the amount of accounts receivable that we are unable to collect may be different than the amount initially estimated. Our allowance for doubtful accounts on December 28, 2014, and December 29, 2013, was $7.9 million and $7.6 million, respectively. To the extent the actual collectability of our accounts receivable differs from our estimates by 10%, our 2014 net income would be higher or lower by approximately $0.6 million, on an after-tax basis, depending on whether the actual collectability was better or worse, respectively, than the estimated allowance.

Product Warranties. We typically provide limited warranties with respect to certain attributes of our carpet products (for example, warranties regarding excessive surface wear, edge ravel and static electricity) for periods ranging from ten to twenty years, depending on the particular carpet product and the environment in which the product is to be installed. We typically warrant that any services performed will be free from defects in workmanship for a period of one year following completion. In the event of a breach of warranty, the remedy typically is limited to repair of the problem or replacement of the affected product. We record a provision related to warranty costs based on historical experience and periodically adjust these provisions to reflect changes in actual experience. Our warranty reserve on December 28, 2014, and December 29, 2013, was $1.8 million and $1.4 million, respectively. Actual warranty expense incurred could vary significantly from amounts that we estimate. To the extent the actual warranty expense differs from our estimates by 10%, our 2014 net income would be higher or lower by approximately $0.1 million, on an after-tax basis, depending on whether the actual expense is lower or higher, respectively, than the estimated provision.

Off-Balance Sheet Arrangements

We are not a party to any material off-balance sheet arrangements.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard regarding recognition of revenue from contracts with customers. In summary, the core principle of this standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and early application is not permitted. While we are currently reviewing this new standard, it is not expected that the adoption of this guidance will have a material impact on our financial condition or results of operation.

In July 2013, the FASB issued an accounting standard regarding the presentation of unrecognized tax benefits when a net operating loss carryforward, or similar tax credit carryforward, exists. This standard clarifies that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, if such settlement is required or expected in the event the uncertain tax benefit is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be netted with the deferred tax asset. We implemented this standard in the first quarter of 2014, which resulted in reductions of deferred tax asset (long-term) and long-term other liabilities of approximately $21.8 million each. Pursuant to this standard, we also adjusted our December 29, 2013 consolidated balance sheet, resulting in decreases in our deferred tax asset (long-term) and long-term other liabilities of approximately $21.8 million each.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

As a result of the scope of our global operations, we are exposed to an element of market risk from changes in interest rates and foreign currency exchange rates. Our results of operations and financial condition could be impacted by this risk. We manage our exposure to market risk through our regular operating and financial activities and, to the extent we deem appropriate, through the use of derivative financial instruments.

We employ derivative financial instruments as risk management tools and not for speculative or trading purposes. We monitor the use of derivative financial instruments through objective measurable systems, well-defined market and credit risk limits, and timely reports to senior management according to prescribed guidelines. We have established strict counter-party credit guidelines and enter into transactions only with financial institutions with a rating of investment grade or better. As a result, we consider the risk of counter-party default to be minimal.

Interest Rate Market Risk Exposure

Changes in interest rates affect the interest paid on certain of our debt. To mitigate the impact of fluctuations in interest rates, our management monitors interest rates and has developed and implemented a policy to maintain the percentage of fixed and variable rate debt within certain parameters, subject to approval by our Board of Directors. In the past, we have maintained a fixed/variable rate mix within these parameters either by borrowing on a fixed rate basis or entering into interest rate swap transactions. In the interest rate swaps, we agreed to exchange, at specified levels, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal linked to LIBOR. As of December 28, 2014, and December 29, 2013, no such interest rate swaps were in place.

Foreign Currency Exchange Market Risk Exposure

A significant portion of our operations consists of manufacturing and sales activities in foreign jurisdictions. We manufacture our products in the United States, Northern Ireland, the Netherlands, China, Thailand and Australia, and sell our products in more than 100 countries. As a result, our financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we distribute our products. Our operating results are exposed to changes in exchange rates between the U.S. dollar and many other currencies, including the euro, British pound sterling, Canadian dollar, Australian dollar, Thai baht and

Japanese yen. When the U.S. dollar strengthens against a foreign currency, the value of anticipated sales in those currencies decreases, and vice versa. Additionally, to the extent our foreign operations with functional currencies other than the U.S. dollar transact business in countries other than the United States, exchange rate changes between two foreign currencies could ultimately impact us. Finally, because we report in U.S. dollars on a consolidated basis, foreign currency exchange fluctuations could have a translation impact on our financial position.

At December 28, 2014, we recognized a $28.4 million decrease in our foreign currency translation adjustment account compared with December 29, 2013, because of the strengthening of the U.S. dollar against certain foreign currencies during 2014, particularly the Euro.

Sensitivity Analysis

For purposes of specific risk analysis, we use sensitivity analysis to measure the impact that market risk may have on the fair values of our market-sensitive instruments.

To perform sensitivity analysis, we assess the risk of loss in fair values associated with the impact of hypothetical changes in interest rates and foreign currency exchange rates on market-sensitive instruments. The market value of instruments affected by interest rate and foreign currency exchange rate risk is computed based on the present value of future cash flows as impacted by the changes in the rates attributable to the market risk being measured. The discount rates used for the present value computations were selected based on market interest and foreign currency exchange rates in effect at December 28, 2014. The values that result from these computations are then compared with the market values of the financial instruments. The differences are the hypothetical gains or losses associated with each type of risk.

Interest Rate Risk

Our weighted average interest rate for our outstanding borrowings in 2014 and 2013 was 7.4% and 7.8%, respectively.

As discussed above, in the fourth quarter of 2014, we refinanced our outstanding 7.625% Senior Notes with a combination of term loan and revolving loan borrowings under our Syndicated Credit Facility, plus cash on hand. The following table summarizes our market risks associated with our debt obligations as of December 28, 2014. For debt obligations, the table presents principal cash flows and related weighted average interest rates by year of maturity. Variable interest rates presented for variable-rate debt represent the weighted average interest rate on our Syndicated Credit Facility borrowings as of December 28, 2014.

	20152016	**2017**	**2018**	**2019**	**Thereafter**	**Total**	**Fair Value**
	(in thousands)						
Rate-Sensitive Liabilities							
Long-term Debt:							
Variable Rate	$0 $13,750	$15,000	$11,250	$223,338	$ 0	$263,338	$263,338
Variable Interest Rate	-- 2.2 %	2.2 %	2.2 %	2.2 %	--		

An increase in our effective interest rate of 1% would increase annual interest expense by approximately $2.6 million. We will continue to review our exposure to interest rate fluctuations and evaluate whether we should manage such exposures through interest rate swap transactions.

Foreign Currency Exchange Rate Risk

As of December 28, 2014, a 10% decrease or increase in the levels of foreign currency exchange rates against the U.S. dollar, with all other variables held constant, would result in a decrease in the fair value of our short-term financial instruments (primarily cash, accounts receivable and accounts payable) of $11.3 million or an increase in the fair value of our financial instruments of $9.2 million, respectively. As the impact of offsetting changes in the fair market value of our net foreign investments is not included in the sensitivity model, these results are not indicative of our actual exposure to foreign currency exchange risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INTERFACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	FISCAL YEAR		
	2014	2013	2012
	(in thousands, except per share data)		
Net sales	$1,003,903	$959,989	$932,020
Cost of sales	663,876	618,880	614,841
Gross profit on sales	340,027	341,109	317,179
Selling, general and administrative expenses	257,346	252,433	231,358
Restructuring and asset impairment charges	12,386	0	19,425
Expenses (gain) related to Australia fire	0	(6,954)	1,748
Operating income	70,295	95,630	64,648
Interest expense	20,785	23,810	25,024
Debt retirement expenses	11,989	1,667	0
Other expense	1,779	1,149	1,521
Income from continuing operations before tax expense	35,742	69,004	38,103
Income tax expense	10,934	20,749	15,204
Income from continuing operations	24,808	48,255	22,899
Loss from discontinued operations, net of tax	0	0	(16,956)
Net income	$24,808	$48,255	$5,943
Income (loss) per share – basic			
Continuing operations	$0.37	$0.73	$0.35
Discontinued operations	0.00	0.00	(0.26)
Net income per share – basic	$0.37	$0.73	$0.09
Income (loss) per share – diluted			
Continuing operations	$0.37	$0.73	$0.35
Discontinued operations	0.00	0.00	(0.26)
Net income per share – diluted	$0.37	$0.73	$0.09

Basic weighted average common shares outstanding	66,389	66,194	65,767
Diluted weighted average common shares outstanding	66,448	66,297	65,900

See accompanying notes to consolidated financial statements.

INTERFACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	FISCAL YEAR		
	2014	2013	2012
	(in thousands)		
Net income	$24,808	$48,255	$5,943
Other comprehensive income (loss)			
Foreign currency translation adjustment	(28,351)	(5,241)	8,539
Pension liability adjustment	(15,280)	1,409	771
Comprehensive income (loss)	$(18,823)	$44,423	$15,253

See accompanying notes to consolidated financial statements.

INTERFACE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	2014	2013
	(in thousands)	
ASSETS		
Current		
Cash and cash equivalents	$54,896	$72,883
Accounts receivable, net	157,093	131,936
Inventories	142,167	149,643
Prepaid expenses and other current assets	20,780	23,411
Deferred income taxes	9,732	10,232
Total current assets	384,668	388,105
Property and equipment, net	227,347	230,845
Deferred tax asset	33,138	34,162
Goodwill	70,509	77,941
Other assets	59,252	65,282
	$774,914	$796,335
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$49,464	$52,515
Accrued expenses	94,323	77,672
Total current liabilities	143,787	130,187
Senior notes	0	247,500
Long term debt	263,338	26,326
Deferred income taxes	11,002	15,049
Other	50,148	36,486
Total liabilities	468,275	455,548
Commitments and contingencies		
Shareholders' equity		
Preferred stock	0	0
Common stock	6,597	6,631
Additional paid-in capital	368,603	374,597
Retained earnings	39,737	24,226
Accumulated other comprehensive loss – foreign currency translation	(58,936)	(30,585)
Accumulated other comprehensive loss – pension liability	(49,362)	(34,082)
Total shareholders' equity	306,639	340,787
	$774,914	$796,335

See accompanying notes to consolidated financial statements.

INTERFACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FISCAL YEAR		
	2014	2013	2012
		(in thousands)	
OPERATING ACTIVITIES:			
Net income	$24,808	$ 48,255	$5,943
Loss on discontinued operations, net of taxes	0	0	(16,956)
Income from continuing operations	24,808	48,255	22,899
Adjustments to reconcile income to cash provided by operating activities			
Depreciation and amortization	30,677	24,670	25,882
Stock compensation amortization expense	3,998	7,935	3,293
Bad debt expense	137	253	1,119
Deferred income taxes and other	(3,534)	9,349	(11,164)
Cash received from insurance company	0	25,973	0
Working capital changes:			
Accounts receivable	(29,255)	3,478	19,994
Inventories	1,343	(10,610)	1,075
Prepaid expenses and other current assets	2,785	(25,354)	(11,948)
Accounts payable and accrued expenses	15,421	(17,316)	(4,262)
Cash provided by operating activities	46,380	66,633	46,888
INVESTING ACTIVITIES:			
Capital expenditures	(38,922)	(91,851)	(42,428)
Other	2,415	3,074	(2,629)
Net proceeds from sale of Bentley Prince Street	0	0	32,174
Cash received from insurance company	0	23,024	20,718
Cash used in investing activities	(36,507)	(65,753)	7,835
FINANCING ACTIVITIES:			
Credit facility borrowing	48,850	26,326	0
Credit facility repayments	(9,905)	0	0
Term loan borrowings	200,000	0	0
Repurchase of common stock	(7,669)	0	0
Dividends paid	(9,297)	(7,283)	(5,925)
Debt issuance costs	(1,099)	(1,308)	0
Redemption/repurchase of senior notes	(247,500)	(35,610)	(11,477)
Proceeds from issuance of common stock	408	1,881	1,496
Cash used in financing activities	(26,212)	(15,994)	(15,906)
Net cash provided by (used in) operating, investing and financing activities	(16,339)	(15,114)	38,817
Effect of exchange rate changes on cash	(1,648)	(2,536)	1,092

CASH AND CASH EQUIVALENTS:			
Net increase (decrease)	(17,987)	(17,650)	39,909
Balance, beginning of year	72,883	90,533	50,624
Balance, end of year	$54,896	$ 72,883	$90,533

See accompanying notes to consolidated financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company is a recognized leader in the worldwide commercial interiors market, offering modular carpet. The Company manufactures modular carpet focusing on the high quality, designer-oriented sector of the market, and provides specialized carpet replacement, installation and maintenance services. Additionally, the Company offers *Intersept*, a proprietary antimicrobial used in a number of interior finishes.

In 2012, the Company sold its Bentley Prince Street business segment to a third party. Bentley Prince Street designed, manufactured and marketed broadloom and modular carpet. The results of operations and related disposal costs, gains and losses for the Bentley Prince Street business are classified as discontinued operations for all periods presented. In addition, assets and liabilities of the Bentley Prince Street business have been reported in assets and liabilities held for sale for all reported periods.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All of our subsidiaries are wholly-owned, and we are not a party to any joint venture, partnership or other variable interest entity that would potentially qualify for consolidation. All material intercompany accounts and transactions are eliminated. Investments in which the Company does not have the ability to exercise significant influence are carried at fair value. The Company monitors investments for other than temporary declines in value and makes reductions in carrying values when appropriate. As of December 28, 2014 and December 29, 2013, the Company did not hold significant investments of this nature.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Examples include provisions for returns, bad debts, product claims reserves, rebates, inventory obsolescence and the length of product life cycles, accruals associated with restructuring activities, income tax exposures and valuation allowances, environmental liabilities, and the carrying value of goodwill and property and equipment. Actual results could vary from these estimates.

Revenue Recognition

Revenue is recognized when the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, price to the buyer is fixed and determinable, and collectability is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership, which is generally on the date of shipment. Provisions for discounts, sales returns and allowances are estimated using historical experience, current economic trends, and the Company's quality performance. The related provision is recorded as a reduction of sales and cost of sales in the same period that the revenue is recognized. Material differences may result in the amount and timing of net sales for any period if management makes different judgments or uses different estimates.

Shipping and handling fees billed to customers are classified in net sales in the consolidated statements of operations. Shipping and handling costs incurred are classified in cost of sales in the consolidated statements of operations.

Research and Development

Research and development costs are expensed as incurred and are included in the selling, general and administrative expense caption in the consolidated statements of operations. Research and development expense was $13.9 million, $12.6 million and $12.4 million for the years 2014, 2013 and 2012, respectively.

Cash, Cash Equivalents and Short-Term Investments

Highly liquid investments with insignificant interest rate risk and with original maturities of three months or less are classified as cash and cash equivalents. Investments with maturities greater than three months and less than one year are classified as short-term investments. The Company did not hold any significant amounts of short-term investments at December 28, 2014 or December 29, 2013.

Cash payments for interest amounted to approximately $21.0 million, $22.9 million and $23.1 million for the years 2014, 2013 and 2012, respectively. Income tax payments amounted to approximately $7.5 million, $8.7 million and $10.0 million for the years 2014, 2013 and 2012, respectively. During the years 2014, 2013 and 2012, the Company received income tax refunds of $5.0 million, $1.4 million and $0.1 million, respectively.

Inventories

Inventories are carried at the lower of cost (standards approximating the first-in, first-out method) or market. Costs included in inventories are based on invoiced costs and/or production costs, as applicable. Included in production costs are material, direct labor and allocated overhead. The Company writes down inventories for the difference between the carrying value of the inventories and their estimated net realizable value. If actual market conditions are less favorable than those projected by management, additional write-downs may be required.

Management estimates its reserves for inventory obsolescence by continuously examining its inventories to determine if there are indicators that carrying values exceed net realizable values. Experience has shown that significant indicators that could require the need for additional inventory write-downs are the age of the inventory, the length of its product life cycles, anticipated demand for the Company’s products, and current economic conditions. While management believes that adequate write-downs for inventory obsolescence have been made in the consolidated financial statements, consumer tastes and preferences will continue to change and the Company could experience additional inventory write-downs in the future.

Rebates

The Company has agreements to receive cash consideration from certain of its vendors, including rebates and cooperative marketing reimbursements. The amounts received from its vendors are generally presumed to be a reduction of the prices the Company pays for their products and, therefore, such amounts are reflected as either a reduction of cost of sales in the accompanying consolidated statements of operations, or, if the product inventory is

still on hand at the reporting date, it is reflected as a reduction of “Inventories” on the accompanying consolidated balance sheets. Vendor rebates are typically dependent upon reaching minimum purchase thresholds. The Company evaluates the likelihood of reaching purchase thresholds using past experience and current year forecasts. When rebates can be reasonably estimated and receipt becomes probable, the Company records a portion of the rebate as the Company makes progress towards the purchase threshold.

When the Company receives direct reimbursements for costs incurred in marketing the vendor’s product or service, the amount received is recorded as an offset to selling, general and administrative expenses in the accompanying consolidated statements of operations.

Assets and Liabilities of Businesses Held for Sale

The Company considers businesses to be held for sale when the Board or management, having the relevant authority to do so, approves and commits to a formal plan to actively market a business for sale and the sale is considered probable. Upon designation as held for sale, the carrying value of the assets of the business are recorded at the lower of their carrying value or their estimated fair value, less costs to sell. The Company ceases to record depreciation expense at that time.

Property and Equipment and Long-Lived Assets

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the following estimated useful lives: buildings and improvements – ten to forty years; and furniture and equipment – three to twelve years. Interest costs for the construction/development of certain long-term assets are capitalized and amortized over the related assets' estimated useful lives. The Company capitalized net interest costs on qualifying expenditures of approximately $0.8 million, $0.8 million and $0.7 million for the fiscal years 2014, 2013 and 2012, respectively. Depreciation expense amounted to approximately $29.5 million, $23.9 million and $24.2 million for the years 2014, 2013 and 2012, respectively.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flow is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset. Repair and maintenance costs are charged to operating expense as incurred.

Goodwill and Other Intangible Assets

Goodwill is the excess of the purchase price over the fair value of net assets acquired in business combinations accounted for as acquisitions. Accumulated amortization amounted to approximately $77.3 million at both December 28, 2014 and December 29, 2013, and cumulative impairment losses recognized were $212.6 million as of both December 28, 2014 and December 29, 2013.

As of December 28, 2014 and December 29, 2013, the net carrying amount of goodwill was $70.5 million and $77.9 million, respectively. Other intangible assets were $4.7 million and $3.8 million as of December 28, 2014, and December 29, 2013, respectively. The Company capitalizes patent defense costs when it determines that a successful defense is probable. Any patent defense costs are amortized over the remaining useful life of the patent. Amortization expense related to intangible assets during the years 2014, 2013 and 2012 was $0.3 million, $0.3 million and $0.4 million, respectively.

During the fourth quarters of 2014, 2013 and 2012, as of the last day of the third quarter of each year, the Company performed the annual goodwill impairment test required by applicable accounting standards. The Company performs this test at the reporting unit level, which is one level below the segment level for the Modular Carpet segment. In effecting the impairment testing, the Company prepared valuations of reporting units on both a market comparable methodology and an income methodology in accordance with the applicable standards, and those valuations were compared with the respective book values of the reporting units to determine whether any goodwill impairment existed. In preparing the valuations, past, present and future expectations of performance were considered. The annual

testing indicated no potential of goodwill impairment in any of the years presented.

Each of the Company's reporting units maintained fair values in excess of their respective carrying values as of the measurement date, and therefore no impairment was indicated during the impairment testing. As of December 28, 2014, if the Company's estimates of the fair values of its reporting units which carry a goodwill balance were 10% lower, the Company still believes no goodwill impairment would have existed.

The changes in the carrying amounts of goodwill for the year ended December 28, 2014 are as follows:

BALANCE DECEMBER 29, 2013	ACQUISITIONS	IMPAIRMENT	FOREIGN CURRENCY TRANSLATION	BALANCE DECEMBER 28, 2014
(in thousands)				
$77,941	$ 0	$ 0	$ (7,432)	$ 70,509

Product Warranties

The Company typically provides limited warranties with respect to certain attributes of its carpet products (for example, warranties regarding excessive surface wear, edge ravel and static electricity) for periods ranging from ten to twenty years, depending on the particular carpet product and the environment in which it is to be installed. The Company typically warrants that services performed will be free from defects in workmanship for a period of one year following completion. In the event of a breach of warranty, the remedy typically is limited to repair of the problem or replacement of the affected product.

The Company records a provision related to warranty costs based on historical experience and periodically adjusts these provisions to reflect changes in actual experience. Warranty reserves amounted to $1.8 million and $1.4 million as of December 28, 2014 and December 29, 2013, respectively, and are included in “Accrued Expenses” in the accompanying consolidated balance sheets.

Taxes on Income

The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company’s financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in tax laws or rates. The effect on deferred tax assets and liabilities of a change in tax rates will be recognized as income or expense in the period that includes the enactment date.

The Company records a valuation allowance to reduce its deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will expire before realization of the benefit or that future deductibility is not probable. The ultimate realization of the deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character in the future. This requires us to use estimates and make assumptions regarding significant future events such as the taxability of entities operating in the various taxing jurisdictions.

The Company does not record taxes collected from customers and remitted to governmental authorities on a gross basis.

For uncertain tax positions, the Company applies the provisions of relevant authoritative guidance, which requires application of a “more likely than not” threshold to the recognition and derecognition of tax positions. The Company’s

ongoing assessments of the more likely than not outcomes of tax authority examinations and related tax positions require significant judgment and can increase or decrease the Company's effective tax rate as well as impact operating results. For further information, see the Note entitled "Taxes on Income."

Fair Values of Financial Instruments

Fair values of cash and cash equivalents and short-term debt approximate cost due to the short period of time to maturity. Fair values of debt are based on quoted market prices or pricing models using current market rates.

Translation of Foreign Currencies

The financial position and results of operations of the Company's foreign subsidiaries are measured generally using local currencies as the functional currency. Assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rate in effect at each year-end. Income and expense items are translated at average exchange rates for the year. The resulting translation adjustments are recorded in the foreign currency translation adjustment account. In the event of a divestiture of a foreign subsidiary, the related foreign currency translation results are reversed from equity to income. Foreign currency exchange gains and losses are included in net income (loss). Foreign exchange translation gains (losses) were $(28.4)million, ($5.2 million) and $8.5 million for the years 2014, 2013 and 2012, respectively.

Income (Loss) Per Share

Basic income (loss) per share is computed based on the average number of common shares outstanding. Diluted income (loss) per share reflects the increase in average common shares outstanding that would result from the assumed exercise of outstanding stock options, calculated using the treasury stock method.

Stock-Based Compensation

As of fiscal year 2014, the Company has stock-based employee compensation plans, which are described more fully in the “Shareholders’ Equity” Note below.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model. However, there were no stock options granted in 2014, 2013 or 2012.

The Company recognizes expense related to its restricted stock grants based on the grant date fair value of the stock issued, as determined by its market price at date of issue.

Derivative Financial Instruments

Accounting standards require a company to recognize all derivatives on the balance sheet at fair value. Derivatives that do not meet the criteria of an accounting hedge must be adjusted to fair value through income. If the derivative is a fair value hedge, changes in the fair value of the hedged assets, liabilities or firm commitments are recognized through earnings. If the derivative is a cash flow hedge, the effective portion of changes in the fair value of the derivative are recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative’s change in fair value is immediately recognized in earnings. As of December 28, 2014 and December 29, 2013, the Company was not party to any significant derivative instruments.

Pension Benefits

Net pension expense recorded is based on, among other things, assumptions about the discount rate, estimated return on plan assets and salary increases. While the Company believes these assumptions are reasonable, changes in these and other factors and differences between actual and assumed changes in the present value of liabilities or assets of the Company’s plans above certain thresholds could cause net annual expense to increase or decrease materially from year to year. The actuarial assumptions used in the Company’s salary continuation plan and foreign defined benefit plans reporting are reviewed periodically and compared with external benchmarks to ensure that they appropriately account for our future pension benefit obligation. The expected long-term rate of return on plan assets assumption is based on weighted average expected returns for each asset class. Expected returns reflect a combination of historical performance analysis and the forward-looking views of the financial markets, and include input from actuaries, investment service firms and investment managers.

Environmental Remediation

The Company provides for remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs is reasonably determinable. Remediation liabilities are accrued based on estimates of known environmental exposures and are discounted in certain instances. The Company regularly monitors the progress of environmental remediation. Should studies indicate that the cost of remediation is to be more than previously estimated, an additional accrual would be recorded in the period in which such determination is made. As of December 28, 2014 and December 29, 2013, no significant amounts were provided for remediation liabilities.

Allowances for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. Estimating this amount requires the Company to analyze the financial strengths of its customers. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. By its nature, such an estimate is highly subjective, and it is possible that the amount of accounts receivable that the Company is unable to collect may be different than the amount initially estimated. The Company's allowance for doubtful accounts on December 28, 2014, and December 29, 2013, was $7.9 million and $7.6 million, respectively.

Reclassifications

Certain prior period amounts have been reclassified to conform to current year financial statement presentation. For further information, see the Note below entitled "Recent Accounting Pronouncements."

Fiscal Year

The Company's fiscal year is the 52 or 53 week period ending on the Sunday nearest December 31. All references herein to "2014," "2013," and "2012," mean the fiscal years ended December 28, 2014, December 29, 2013 and December 30, 2012, respectively. Fiscal years 2014, 2013 and 2012 were each comprised of 52 weeks.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard regarding recognition of revenue from contracts with customers. In summary, the core principle of this standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and early application is not permitted. While the Company is currently reviewing this new standard, it is not expected that the adoption of this guidance will have a material impact on our financial condition or results of operations.

In July 2013, the FASB issued an accounting standard regarding the presentation of unrecognized tax benefits when a net operating loss carryforward, or similar tax credit carryforward, exists. This standard clarifies that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, if such settlement is required or expected in the event the uncertain tax benefit is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be netted with the deferred tax asset. The Company implemented this standard in the first quarter of 2014, which resulted in reductions of deferred tax asset (long-term) and long-term other liabilities of approximately $21.8 million each. Pursuant to this standard, the Company also adjusted its December 29, 2013 consolidated balance sheet, resulting in decreases in its deferred tax asset (long-term) and long-term other liabilities of approximately $21.8 million each.

RECEIVABLES

The Company has adopted credit policies and standards intended to reduce the inherent risk associated with potential increases in its concentration of credit risk due to increasing trade receivables from sales to owners and users of commercial office facilities and with specifiers such as architects, engineers and contracting firms. Management believes that credit risks are further moderated by the diversity of its end customers and geographic sales areas. The

Company performs ongoing credit evaluations of its customers' financial condition and requires collateral as deemed necessary. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. If the financial condition of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As of December 28, 2014, and December 29, 2013, the allowance for bad debts amounted to $7.9 million and $7.6 million, respectively, for all accounts receivable of the Company. Reserves for sales returns and allowances amounted to $2.2 million and $3.6 million as of December 28, 2014, and December 29, 2013, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company does not have significant assets and liabilities measured at fair value on a recurring basis under applicable accounting standards as of the end of 2014. The Company does have approximately $24.1 million of Company-owned life insurance which is measured on readily determinable cash surrender value on a recurring basis. Due to the short maturity of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, their carrying values approximate fair value. The fair value of long term debt represented by the Company's 7.625% Senior Notes, based on quoted market prices, was $265.8 million at December 29, 2013. The Company redeemed the outstanding 7.625% Senior Notes in the fourth quarter of 2014. As of December 28, 2014, the carrying value of the Company's borrowings under its Syndicated Credit Facility approximates fair value as the Facility bears interest rates that are similar to existing market rates.

INVENTORIES

Inventories are summarized as follows:

	2014	2013
	(in thousands)	
Finished goods	$89,688	$96,199
Work-in-process	9,898	9,569
Raw materials	42,581	43,875
	$142,167	$149,643

Reserves for inventory obsolescence amounted to $14.8 million and $13.4 million as of December 28, 2014, and December 29, 2013, respectively, and have been netted against amounts presented above.

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2014	2013
	(in thousands)	
Land	$15,862	$17,290
Buildings	124,476	123,032
Equipment	347,965	351,307
	488,303	491,629
Accumulated depreciation	(260,956)	(260,784)
	$227,347	$230,845

The estimated cost to complete construction-in-progress for which the Company was committed at December 28, 2014, was approximately $11.2 million.

ACCRUED EXPENSES

Accrued expenses are summarized as follows:

	2014	2013
	(in thousands)	
Compensation	$56,354	$54,125
Interest	709	1,768
Restructuring	7,179	519
Taxes	17,962	12,685
Accrued purchases	2,966	1,258
Other	9,153	7,317
	$94,323	$77,672

Other non-current liabilities include pension liability of $37.9 million and $20.1 million as of December 28, 2014, and December 29, 2013, respectively (see the discussion below in the Note entitled “Employee Benefit Plans”).

BORROWINGS

Syndicated Credit Facility

The Company has a syndicated credit facility (the "Facility") pursuant to which the lenders provide to the Company and certain of its subsidiaries a multicurrency revolving credit facility and provide to the Company a term loan. The key features of the Facility are as follows:

- The Facility matures on October 3, 2019.
- The Facility includes (i) a multicurrency revolving loan facility made available to the Company and its principal subsidiaries in Europe and Australia not to exceed $240 million in the aggregate at any one time outstanding, and (ii) a revolving loan facility made available to the Company's principal subsidiary in Thailand not to exceed the equivalent of $10 million in the aggregate at any one time outstanding. A sublimit of $40 million exists for the issuance of letters of credit under the Facility.
- The Facility includes $200 million of Term Loan A borrowing availability which could be used (and was in fact used) to refinance the Company's 7.625% Senior Notes due 2018 (discussed below).
- The Facility provides for required amortization payments of the Term Loan A borrowing, as well as mandatory prepayments of the Term Loan A borrowing (and any term loans made available pursuant to any future multicurrency loan facility increase) from certain asset sales, casualty events and debt issuances, subject to certain qualifications and exceptions as provided for therein.
- Advances under the Facility are secured by a first-priority lien on substantially all of the Company's assets and the assets of each of its material domestic subsidiaries, which have guaranteed the Facility.
- The Facility contains financial covenants (specifically, a consolidated net leverage ratio and a consolidated interest coverage ratio) that must be met as of the end of each fiscal quarter.
- The Company has the option to increase the borrowing availability under the Facility, either for revolving loans or term loans, by up to $150 million, subject to the receipt of lender commitments for the increase and the satisfaction of certain other conditions.

Interest Rates and Fees. Interest on base rate loans is charged at varying rates computed by applying a margin ranging from 0.25% to 1.50% over the applicable base interest rate (which is defined as the greatest of the prime rate, a specified federal funds rate plus 0.50%, or a specified LIBOR rate), depending on the Company's consolidated net leverage ratio as of the most recently completed fiscal quarter. Interest on LIBOR-based loans and fees for letters of credit are charged at varying rates computed by applying a margin ranging from 1.25% to 2.50% over the applicable LIBOR rate, depending on the Company's consolidated net leverage ratio as of the most recently completed fiscal quarter. In addition, the Company pays a commitment fee ranging from 0.20% to 0.35% per annum (depending on the Company's consolidated net leverage ratio as of the most recently completed fiscal quarter) on the unused portion of the Facility.

Amortization Payments. The Company is required to make amortization payments of the Term Loan A borrowing. The amortization payments are due on the last day of the calendar quarter, commencing with an initial amortization payment of $2.5 million on December 31, 2015. The quarterly amortization payment amount increases to $3.75 million on December 31, 2016.

Covenants. The Facility contains standard and customary covenants for agreements of this type, including various reporting, affirmative and negative covenants. Among other things, these covenants limit the Company's and its subsidiaries' ability to:

- create or incur liens on assets;
- make acquisitions of or investments in businesses (in excess of certain specified amounts);
- incur indebtedness or contingent obligations;
- sell or dispose of assets (in excess of certain specified amounts);
- pay dividends or repurchase the Company's stock (in excess of certain specified amounts);
- repay other indebtedness prior to maturity unless the Company meets certain conditions; and
- enter into sale and leaseback transactions.

The Facility also requires the Company to remain in compliance with the following financial covenants as of the end of each fiscal quarter, based on the Company's consolidated results for the year then ended:

Consolidated Net Leverage Ratio: Must be no greater than (i) 4.50:1.00 through and including the fiscal quarter ending December 28, 2014, (ii) 4.00:1.00 from and including the fiscal quarter ending April 5, 2015 through and including the fiscal quarter ending January 3, 2016, and (iii) 3.75:1.00 for each fiscal quarter thereafter.
Consolidated Interest Coverage Ratio: Must be no less than 2.25:1.00 as of the end of any fiscal quarter.

Events of Default. If the Company breaches or fails to perform any of the affirmative or negative covenants under the Facility, or if other specified events occur (such as a bankruptcy or similar event or a change of control of Interface, Inc. or certain subsidiaries, or if the Company breaches or fails to perform any covenant or agreement contained in any instrument relating to any of the Company's other indebtedness exceeding $20 million), after giving effect to any applicable notice and right to cure provisions, an event of default will exist. If an event of default exists and is continuing, the lenders' Administrative Agent may, and upon the written request of a specified percentage of the lender group shall:

declare all commitments of the lenders under the facility terminated;
declare all amounts outstanding or accrued thereunder immediately due and payable; and
exercise other rights and remedies available to them under the agreement and applicable law.

Collateral. Pursuant to a Security and Pledge Agreement executed on the same date, the Facility is secured by substantially all of the assets of the Company and its domestic subsidiaries (subject to exceptions for certain immaterial subsidiaries), including all of the stock of the Company's domestic subsidiaries and up to 65% of the stock of its first-tier material foreign subsidiaries. If an event of default occurs under the Facility, the lenders' Administrative Agent may, upon the request of a specified percentage of lenders, exercise remedies with respect to the collateral, including, in some instances, foreclosing mortgages on real estate assets, taking possession of or selling personal property assets, collecting accounts receivables, or exercising proxies to take control of the pledged stock of domestic and first-tier material foreign subsidiaries.

As described below, in the fourth quarter of 2014, the Company redeemed $27.5 million in aggregate principal amount of its 7.625% Senior Notes due 2018 at a price equal to 103% of their principal amount, plus accrued interest to the redemption date of November 26, 2014, and redeemed the remaining $220 million in aggregate principal amount of the 7.625% Senior Notes that had not previously been called for redemption at a price equal to 103.813% of their principal amount, plus accrued interest to the redemption date of December 1, 2014. These redemptions transactions were funded through a combination of term loan and revolving loan borrowings under the Facility and cash on hand.

As of December 28, 2014, the Company had outstanding $200 million of Term Loan A borrowing and $63.3 of revolving loan borrowings outstanding under the Facility, and had $3.3 million in letters of credit outstanding under the Facility. As of December 28, 2014, the weighted average interest rate on borrowings outstanding under the Facility was 2.2%.

The Company is currently in compliance with all covenants under the Facility and anticipates that it will remain in compliance with the covenants for the foreseeable future.

7.625% Senior Notes

On December 3, 2010, the Company completed a private offering of $275 million aggregate principal amount of 7.625% Senior Notes due 2018 (the “7.625% Senior Notes”). Interest on the 7.625% Senior Notes was payable semi-annually on June 1 and December 1 (the first payment was made on June 1, 2011). The 7.625% Senior Notes were guaranteed, fully, unconditionally, and jointly and severally, on an unsecured senior basis by certain of the Company’s domestic subsidiaries. The Company had the option to redeem some or all of these notes at any time prior to December 1, 2014, at a redemption price equal to 100% of the principal amount plus a make-whole premium. Prior to December 1, 2014, the Company had the option to redeem up to 10% of the aggregate principal amount of the 7.625% Senior Notes per 12-month period at a redemption price equal to 103% of the principal amount of the notes redeemed, plus accrued and unpaid interest. In addition, the notes became redeemable for cash after December 1, 2014 at the Company’s option, in whole or in part, initially at a redemption price equal to 103.813% of the principal amount, declining to 100% of the principal amount on December 1, 2016, plus accrued interest thereon to the date fixed for redemption.

In November 2013, the Company redeemed $27.5 million aggregate principal amount of the 7.625% Senior Notes at a price equal to 103% of the principal amount of the notes redeemed, plus accrued interest to the redemption date. As discussed above, on November 26, 2014, the Company redeemed $27.5 million in aggregate principal amount of its 7.625% Senior Notes at a price equal to 103% of their principal amount, plus accrued interest, and on December 1, 2014, the Company redeemed the remaining $220 million in aggregate principal amount of the 7.625% Senior Notes at a price equal to 103.813% of their principal amount, plus accrued interest. The aggregate premiums paid in connection with the redemptions in 2014 was $9.3 million. The estimated fair value of the 7.625% Senior Notes as of December 29, 2013, based on then current market prices, was $265.8 million.

11.375% Senior Secured Notes

On June 5, 2009, the Company completed a private offering of $150 million aggregate principal amount of 11.375% Senior Secured Notes due 2013. Interest on the 11.375% Senior Secured Notes was payable semi-annually on May 1 and November 1 (the first payment was made on November 1, 2009). The 11.375% Senior Secured Notes were guaranteed, jointly and severally, on a senior secured basis by certain of the Company's domestic subsidiaries. The 11.375% Senior Secured Notes were secured by a second-priority lien on substantially all of the Company's and certain of the Company's domestic subsidiaries' assets that secure the Company's Syndicated Credit Facility on a first-priority basis.

As of December 30, 2012, the balance of the 11.375% Senior Secured Notes outstanding, net of the remaining unamortized original issue discount, was approximately $8.1 million. The Company repaid the $8.1 million balance of these notes at maturity in November 2013.

Other Lines of Credit

Subsidiaries of the Company have an aggregate of the equivalent of $19.0 million of other lines of credit available at interest rates ranging from 2% to 6%. As of December 28, 2014, and December 29, 2013, there were no borrowings outstanding under these lines of credit.

Borrowing Costs

Deferred borrowing costs, which include underwriting, legal and other direct costs related to the issuance of debt, net of accumulated amortization, were $2.4 million and $5.0 million, as of December 28, 2014, and December 29, 2013, respectively. The Company amortizes these costs over the life of the related debt. Expenses related to such costs for

the years 2014, 2013 and 2012 amounted to $3.8 million, $2.0 million and $1.2 million, respectively. The expense for 2014 included $2.8 million related to the writedown of debt costs associated with the refinancing actions discussed above. The expense for the year 2013 included $0.8 million of expense related to the write-down of debt costs associated with note repurchases and the termination of our former $100 million domestic revolving credit facility.

Future Maturities

The aggregate maturities of borrowings for each of the five fiscal years subsequent to 2014, are as follows:

FISCAL YEAR	AMOUNT *(in thousands)*
2015	$ 0
2016	13,750
2017	15,000
2018	11,250
2019	223,338
Thereafter	0
	$ 263,338

PREFERRED STOCK

The Company is authorized to designate and issue up to 5,000,000 shares of $1.00 par value preferred stock in one or more series and to determine the rights and preferences of each series, to the extent permitted by the Articles of Incorporation, and to fix the terms of such preferred stock without any vote or action by the shareholders. The issuance of any series of preferred stock may have an adverse effect on the rights of holders of common stock and could decrease the amount of earnings and assets available for distribution to holders of common stock. In addition, any issuance of preferred stock could have the effect of delaying, deferring or preventing a change in control of the Company. As of December 28, 2014, and December 29, 2013, there were no shares of preferred stock issued.

Preferred Share Purchase Rights

The Company has previously issued one purchase right (a “Right”) in respect of each outstanding share of Common Stock pursuant to a Rights Agreement it entered into in March 2008. Each Right entitles the registered holder of the Common Stock to purchase from the Company one one-hundredth of a share (a “Unit”) of Series B Participating Cumulative Preferred Stock (the “Series B Preferred Stock”).

The Rights may have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group that acquires (without the consent of the Company’s Board of Directors) 15% or more of the outstanding shares of Common Stock or if other specified events occur without the Rights having been redeemed or in the event of an exchange of the Rights for Common Stock as permitted under the Shareholder Rights Plan.

The dividend and liquidation rights of the Series B Preferred Stock are designed so that the value of one Unit of Series B Preferred Stock issuable upon exercise of each Right will approximate the same economic value as one share of Common Stock, including voting rights. The exercise price per Right is $90, subject to adjustment. Shares of Series B Preferred Stock will entitle the holder to a minimum preferential dividend of $1.00 per share, but will entitle the holder to an aggregate dividend payment of 100 times the dividend declared on each share of Common Stock. In the event of liquidation, each share of Series B Preferred Stock will be entitled to a minimum preferential liquidation payment of $1.00, plus accrued and unpaid dividends and distributions thereon, but will be entitled to an aggregate payment of 100 times the payment made per share of Common Stock. In the event of any merger, consolidation or other transaction in which Common Stock is exchanged for or changed into other stock or securities, cash or other property, each share of Series B Preferred Stock will be entitled to receive 100 times the amount received per share of Common Stock. Series B Preferred Stock is not convertible into Common Stock.

Each share of Series B Preferred Stock will be entitled to 100 votes on all matters submitted to a vote of the shareholders of the Company, and shares of Series B Preferred Stock will generally vote together as one class with the

Common Stock and any other voting capital stock of the Company on all matters submitted to a vote of the Company's shareholders.

Further, whenever dividends on the Series B Preferred Stock are in arrears in an amount equal to six quarterly payments, the Series B Preferred Stock, together with any other shares of preferred stock then entitled to elect directors, shall have the right, as a single class, to elect one director until the default has been cured.

Prior to entering into the March 2008 Rights Agreement, the Company maintained a substantially similar Rights Agreement that was entered into in 1998.

SHAREHOLDERS' EQUITY

Prior to March 5, 2012, the Company had two classes of common stock – Class A Common Stock and Class B Common Stock. The Company was authorized to issue 80 million shares of $0.10 par value Class A Common Stock and 40 million shares of $0.10 par value Class B Common Stock. The Class A and Class B Common Stock had identical voting rights except for the election or removal of directors. Holders of Class B Common Stock were entitled as a class to elect a majority of the Board of Directors. Under the terms of the Class B Common Stock, its special voting rights to elect a majority of the Board members would terminate irrevocably if the total outstanding shares of Class B Common Stock ever comprised less than ten percent of the Company's total issued and outstanding shares of Class A and Class B Common Stock.

On March 5, 2012, the number of issued and outstanding shares of Class B Common Stock of the Company constituted less than 10% of the aggregate number of issued and outstanding shares of the Company's Class A Common Stock and Class B Common Stock (that is, 6,459,556 shares of an aggregate of 65,372,375 shares), as the cumulative result of varied transactions that caused the conversion of shares of Class B Common Stock into shares of Class A Common Stock. Accordingly, in accordance with the respective terms for the Class B Common Stock and the Class A Common Stock in Article V of the Company's Articles of Incorporation (the "Articles"), the Class A Common Stock and Class B Common Stock are now, irrevocably from March 5, 2012, a single class of Common Stock in all respects, with no distinction whatsoever between the voting rights or any other rights and privileges of the holders of Class A Common Stock and the holders of Class B Common Stock. The Company intends to eliminate uses of (or references to) the terms "Class A" and "Class B" in connection with the Common Stock, except for historical purposes or to facilitate transition by certain stock listing or administrative services organizations who are accustomed to the old designations for the Common Stock. Following the March 5, 2012 event, the Company is authorized to issue 120 million shares of $0.10 par value Common Stock.

The Company's Common Stock is traded on the Nasdaq Global Select Market under the symbol TILE.

The Company paid dividends totaling $0.14 per share during 2014, $0.11 per share during 2013, and $0.09 per share during 2012, to each share of Common Stock. The future declaration and payment of dividends is at the discretion of the Company's Board, and depends upon, among other things, the Company's investment policy and opportunities, results of operations, financial condition, cash requirements, future prospects, and other factors that may be considered relevant at the time of the Board's determination. Such other factors include limitations contained in the agreement for its syndicated credit facility, which specifies conditions as to when any dividend payments may be made. As such, the Company may discontinue its dividend payments in the future if its Board determines that a cessation of dividend payments is proper in light of the factors indicated above.

On October 7, 2014, the Company announced a program to repurchase up to 500,000 shares of common stock per fiscal year, commencing with the 2014 fiscal year. During 2014, the Company repurchased and retired 500,000 shares of common stock. The average purchase price of these shares was $15.30 per share.

All treasury stock is accounted for using the cost method.

The following tables depict the activity in the accounts which make up shareholders equity for the years 2014, 2013 and 2012.

	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	PENSION LIABILITY	FOREIGN CURRENCY TRANSLATION ADJUSTMENT
	(in thousands)					
Balance, at January 1, 2012	65,484	$ 6,548	$ 361,400	$ (16,764)	$ (36,262)	$ (33,883)
Net income				5,943		
Stock issuances under employee option plans	160	16	2,030			
Other issuances of common stock	573	58	7,564			
Unamortized stock compensation expense related to restricted stock awards			(7,610)			
Cash dividends paid				(5,925)		
Forfeitures and compensation expense related to stock awards	(155)	(16)	3,293			
Pension liability adjustment					771	
Foreign currency translation adjustment						8,539
Other						
Balance, at December 30, 2012	66,062	$ 6,606	$ 366,677	$ (16,746)	$ (35,491)	$ (25,344)

	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	PENSION LIABILITY	FOREIGN CURRENCY TRANSLATION ADJUSTMENT
	(in thousands)					
Balance, at December 30, 2012	66,062	$ 6,606	$ 366,677	$ (16,746)	$ (35,491)	$ (25,344)
Net income				48,255		
Stock issuances under employee option plans	201	20	1,814			
Other issuances of common stock	670	67	10,805			
Unamortized stock compensation expense related to restricted stock awards			(10,872)			
Cash dividends paid				(7,283)		
Forfeitures and compensation expense related to stock awards	(622)	(62)	6,173			
Pension liability adjustment					1,409	
Foreign currency translation adjustment						(5,241)
Other						
Balance, at December 29, 2013	66,311	$ 6,631	$ 374,597	$ 24,226	$ (34,082)	$ (30,585)

	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	PENSION LIABILITY	FOREIGN CURRENCY TRANSLATION ADJUSTMENT
	(in thousands)					
Balance, at December 29, 2013	66,311	$ 6,631	$ 374,597	$ 24,226	$ (34,082)	$ (30,585)
Net income				24,808		
Stock issuances under employee option plans	55	5	381			
Other issuances of common stock	489	49	10,361			
Unamortized stock compensation expense related to restricted stock awards			(10,410)			
Cash dividends paid				(9,297)		
Forfeitures and compensation expense related to stock awards	(387)	(38)	1,293			
Share repurchases	(500)	(50)	(7,619)			
Pension liability adjustment					(15,280)	
Foreign currency translation adjustment						(28,351)
Other						
Balance, at December 28, 2014	65,968	$ 6,597	$ 368,603	$ 39,737	$ (49,362)	$ (58,936)

Stock Options

The Company has an Omnibus Stock Incentive Plan ("Omnibus Plan") under which a committee of independent directors is authorized to grant directors and key employees, including officers, options to purchase the Company's Common Stock. Options are exercisable for shares of Common Stock at a price not less than 100% of the fair market value on the date of grant. The options become exercisable either immediately upon the grant date or ratably over a time period ranging from one to five years from the date of the grant. The Company's options expire at the end of time periods ranging from three to ten years from the date of the grant. In May 2010, the shareholders approved an amendment and restatement of the Omnibus Plan. This amendment and restatement extended the term of the Omnibus Plan until February 2020, and set the number of shares authorized for issuance or transfer on or after the effective date of the amendment and restatement at 6,558,263 shares, except that each share issued pursuant to an award other than a stock option reduces the number of such authorized shares by 1.33 shares.

Accounting standards require that the Company measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair market value of the award. That cost will be recognized over the period in which the employee is required to provide the services – the requisite service period (usually the vesting period) – in exchange for the award. The grant date fair value for options and similar instruments will be estimated using option pricing models. Under accounting standards, the Company is required to select a valuation technique or option pricing model. The Company uses the Black-Scholes model. Accounting standards require that the Company estimate forfeitures for stock options and reduce compensation expense accordingly. The Company has reduced its expense by the assumed forfeiture rate and will evaluate actual experience against the assumed forfeiture rate going forward. This expense reduction is not significant to the Company.

The Company recognized stock option compensation expense of $0.1 million in 2013 and $0.5 million in 2012. All outstanding stock options vested prior to 2014 and therefore there were no stock option compensation expenses during 2014. The expense for stock options is included in selling, general and administrative expense on the Company's consolidated statements of operations, as none of these stock options have been issued to production personnel.

The following table summarizes stock options outstanding as of December 28, 2014, as well as activity during the previous fiscal year:

	Shares	Weighted Average Exercise Price
Outstanding at December 29, 2013	184,000	$ 8.18
Granted	0	0
Exercised	55,000	6.68
Forfeited or cancelled	3,000	1.49
Outstanding at December 28, 2014 (a)	126,000	$ 9.23
Exercisable at December 28, 2014 (b)	126,000	$ 9.23

(a) At December 28, 2014, the weighted-average remaining contractual life of options outstanding was 5.0 years.

(b) At December 28, 2014, the weighted-average remaining contractual life of options exercisable was 5.0 years.

At December 28, 2014, the aggregate intrinsic values of in-the-money options outstanding and options exercisable were $0.9 million and $0.9 million, respectively (the intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option).

The intrinsic value of stock options exercised in 2014, 2013 and 2012 was $0.6 million, $1.9 million and $0.9 million, respectively. The cash proceeds related to stock options exercised in 2014, 2013 and 2012 were $0.4 million, $1.9 million, and $1.5 million, respectively.

The tax benefit recognized with respect to stock options during all presented years was not significant.

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at December 28, 2014	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable at December 28, 2014	Weighted Average Exercise Price
$4.01 – $5.00	50,000	4.0	$ 4.30	50,000	$ 4.30
$12.00 - $14.00	76,000	5.7	12.47	76,000	12.47
	126,000	5.0	$ 9.23	126,000	$ 9.23

Restricted Stock Awards

During fiscal years 2014, 2013 and 2012, the Company granted restricted stock awards totaling 489,000, 670,000 and 573,000 shares, respectively, of Common Stock. These awards (or a portion thereof) vest with respect to each recipient over a two to five year period from the date of grant, provided the individual remains in the employment or service of the Company as of the vesting date. Additionally, these shares (or a portion thereof) could vest earlier upon the attainment of certain performance criteria, in the event of a change in control of the Company, or upon involuntary termination without cause.

Compensation expense related to the vesting of restricted stock was $4.0 million, $7.9 million and $3.3 million for 2014, 2013 and 2012, respectively. These grants are made primarily to executive-level personnel at the Company and, as a result, no compensation costs have been capitalized. Accounting standards require that the Company estimate forfeitures for restricted stock and reduce compensation expense accordingly. The Company has reduced its expense by the assumed forfeiture rate and will evaluate actual experience against the assumed forfeiture rate going forward. The forfeiture rate has been developed using historical data regarding actual forfeitures as well as an estimate of future expected forfeitures under our restricted stock grants.

The following table summarizes restricted stock activity as of December 28, 2014, and during the previous fiscal year:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 29, 2013	1,707,500	$ 15.62
Granted	489,000	21.28
Vested	565,500	16.20
Forfeited or cancelled	240,000	17.14
Outstanding at December 28, 2014	1,391,000	$ 17.12

As of December 28, 2014, the unrecognized total compensation cost related to unvested restricted stock was $9.3 million. That cost is expected to be recognized by the end of 2020.

As stated above, accounting standards require the Company to estimate forfeitures in calculating the expense related to stock-based compensation, as opposed to only recognizing these forfeitures and the corresponding reduction in expense as they occur.

The tax benefit recognized with respect to restricted stock during the years 2014, 2013 and 2012 was $1.0 million, $3.0 million, and $0.7 million, respectively.

INCOME (LOSS) PER SHARE

The Company computes basic earnings (loss) per share (“EPS”) by dividing income (loss) from continuing operations, income (loss) from discontinued operations and net income (loss), by the weighted average common shares outstanding, including participating securities outstanding, during the period as depicted below. Diluted EPS reflects the potential dilution beyond shares for basic EPS that could occur if securities or other contracts to issue common stock were exercised, converted into common stock or resulted in the issuance of common stock that would have shared in the Company’s earnings. Income attributable to non-controlling interest is included in the computation of basic and diluted earnings per share, where applicable.

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The Company includes all unvested stock awards which contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, in the number of common shares outstanding in our basic and diluted EPS calculations when the inclusion of these shares would be dilutive. Unvested share-based awards of restricted stock are paid dividends equally with all other shares of common stock. As a result, the Company includes all outstanding restricted stock awards in the calculation of basic and diluted EPS. Distributed earnings include common stock dividends and dividends earned on unvested share-based payment awards. Undistributed earnings represent earnings that were available for distribution but were not distributed. The following tables show distributed and undistributed earnings:

	Fiscal Year		
	2014	2013	2012
Earnings per share from continuing operations:			
Basic earnings per share			
Distributed earnings	$0.14	$0.11	$0.09
Undistributed earnings	0.23	0.62	0.26
	$0.37	$0.73	$0.35
Diluted earnings per share			
Distributed earnings	$0.14	$0.11	$0.09
Undistributed earnings	0.23	0.62	0.26
	$0.37	$0.73	$0.35
Earnings (Loss) per share from discontinued operations:			
Basic earnings (loss) per share			
Distributed earnings	$0.00	$0.00	$0.00
Undistributed earnings	0.00	0.00	(0.26)
Diluted earnings (loss) per share			
Distributed earnings	$0.00	$0.00	$0.00
Undistributed earnings	0.00	0.00	(0.26)
Basic earnings per share	$0.37	$0.73	$0.09
Diluted earnings per share	$0.37	$0.73	$0.09

The following table presents income from continuing operations and net income that was attributable to participating securities:

	Fiscal Year		
	2014	**2013**	**2012**
	(in millions)		

Income from continuing operations	$0.5	$1.2	$0.7
Net income	0.5	1.2	0.2

The weighted average shares for basic and diluted EPS were as follows:

	Fiscal Year		
	2014	**2013**	**2012**
	(in thousands)		
Weighted Average Shares Outstanding	64,998	64,486	63,793
Participating Securities	1,391	1,708	1,974
Shares for Basic Earnings Per Share	66,389	66,194	65,767
Dilutive Effect of Stock Options	59	103	133
Shares for Diluted Earnings Per Share	66,448	66,297	65,900

In 2012, approximately 191,000 outstanding stock options were not included in the determination of diluted EPS as their impact would be anti-dilutive.

RESTRUCTURING CHARGES

2014 Restructuring Plan

In the third quarter of 2014, the Company committed to a new restructuring plan in its continuing efforts to reduce costs across its worldwide operations. In connection with this restructuring plan, the Company incurred a pre-tax restructuring and asset impairment charge in the third quarter of 2014 in an amount of $12.4 million. The charge was comprised of severance expenses of $9.7 million for a reduction of 100 employees, other related exit costs of $0.1 million, and a charge for impairment of assets of $2.6 million. Approximately $10 million of the charge will result in cash expenditures, primarily severance expense.

A summary of these restructuring activities is presented below:

	Total Restructuring Charge	**Costs Incurred in 2014**	**Balance at Dec. 28, 2014**
	(In thousands)		
Workforce Reduction	$9,669	$ 2,732	$ 6,937
Fixed Asset Impairment	2,584	2,584	0
Other Related Exit Costs	133	133	0

TAXES ON INCOME

Provisions for federal, foreign and state income taxes in the consolidated statements of operations consisted of the following components:

	FISCAL YEAR		
	2014	2013	2012
	(in thousands)		
Current expense/(benefit):			
Federal	$224	$473	$(134)

Foreign	5,555	2,605	5,319
State	712	627	602
	6,491	3,705	5,787
Deferred expense/(benefit):			
Federal	3,856	3,246	1,928
Foreign	493	8,692	17
State	94	5,106	(1,692)
	4,443	17,044	253
	$10,934	$20,749	$6,040

Income tax expense (benefit) is included in the accompanying consolidated statements of operations as follows:

	FISCAL YEAR		
	2014	2013	2012
	(in thousands)		
Continuing operations	$10,934	$20,749	$15,204
Income (loss) from discontinued operations	0	0	(9,164)
	$10,934	$20,749	$6,040

Income from continuing operations before taxes on income consisted of the following:

	FISCAL YEAR		
	2014	2013	2012
	(in thousands)		
U.S. operations	$ 10,345	$ 21,292	$ 27,332
Foreign operations	25,397	47,712	10,771
	$ 35,742	$ 69,004	$ 38,103

Deferred income taxes for the years ended December 28, 2014, and December 29, 2013, reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

At December 28, 2014, the Company had approximately $129 million in federal net operating loss carryforwards with expiration dates through 2032, of which $28.9 million is from share-based payment awards. In accordance with applicable accounting standards, a financial statement benefit has not been recorded for the net operating loss related to the share-based payment awards. The Company's foreign subsidiaries had approximately $4.0 million in net operating losses, the majority of which is available for an unlimited carryforward period. The Company expects to utilize all of its federal and foreign carryforwards prior to their expiration. The Company had approximately $209 million in state net operating loss carryforwards relating to continuing operations with expiration dates through 2034. The Company had provided a valuation allowance against $163.7 million of such losses, which the Company does not expect to utilize. In addition, the Company has approximately $166.0 million in state net operating loss carryforwards relating to discontinued operations against which a full valuation allowance has been provided.

The sources of the temporary differences and their effect on the net deferred tax asset are as follows:

	2014		2013	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	(in thousands)			
Basis differences of property and equipment	$	$ 15,958	$	$ 17,282
Basis difference of intangible assets		384		346
Foreign currency		3,848		2,755
Net operating loss carryforwards	28,463		31,944	
Valuation allowances on net operating loss carryforwards	(10,298)		(9,577)	
Federal tax credits	2,751		2,490	
Deferred compensation	21,190		20,743	
Basis difference of prepaids, accruals and reserves	7,816		7,265	
Pensions	3,152			774

Tax effects of undistributed earnings from foreign subsidiaries not deemed to be indefinitely reinvested		948		1,704
Basis difference of other assets and liabilities		68		659
	$53,074	$ 21,206	$52,865	$ 23,520

Deferred tax assets and liabilities are included in the accompanying balance sheets as follows:

	FISCAL YEAR	
	2014	2013
	(in thousands)	
Deferred income taxes (current asset)	$9,732	$10,232
Deferred tax asset (non-current asset)	33,138	34,162
Deferred income taxes (non-current liabilities)	(11,002)	(15,049)
	$31,868	$29,345

Management believes, based on the Company's history of taxable income and expectations for the future, that it is more likely than not that future taxable income will be sufficient to fully utilize the deferred tax assets at December 28, 2014.

As of December 28, 2014 and December 29, 2013, non-current deferred tax assets were reduced by approximately $21.8 million of unrecognized tax benefits. For further discussion, see "Recent Accounting Pronouncements" in item 8 of this Report.

The Company's effective tax rate from continuing operations was 30.6%, 30.1% and 39.9% for fiscal years 2014, 2013 and 2012, respectively. The following summary reconciles income taxes at the U.S. federal statutory rate of 35% to the Company's actual income tax expense:

	FISCAL YEAR		
	2014	2013	2012
	(in thousands)		
Income taxes at U.S federal statutory rate	$12,510	$24,151	$13,336
Increase (decrease) in taxes resulting from:			
State income taxes, net of federal tax effect	57	496	1,116
Non-deductible business expenses	570	601	1,009
Non-deductible employee compensation	491	409	469
Tax effects of Company owned life insurance	(395)	(1,117)	(448)
Tax effects of undistributed earnings from foreign subsidiaries not deemed to be indefinitely reinvested	362	562	321
Foreign and U.S. tax effects attributable to foreign operations	(3,021)	(3,958)	(1,174)
Valuation allowance effect – State NOL	468	3,232	(187)
Non-deductible reserve against capital asset	0	(218)	1,188
Advance pricing agreements with tax authorities	0	(2,492)	0
Federal tax credits	0	(595)	(891)
Other	(108)	(322)	465

Income tax expense	$10,934	$20,749	$15,204

The Company does not provide for U.S. income taxes on the undistributed earnings of its foreign subsidiaries that are considered to be indefinitely reinvested outside of the U.S. as determination of the amount of unrecognized deferred U.S. income tax liability related to the indefinitely reinvested earnings is not practicable because of the complexities associated with its hypothetical calculation. At December 28, 2014, approximately $261 million of undistributed earnings of the Company's foreign subsidiaries are deemed to be indefinitely reinvested outside of the U.S., on which withholding taxes of approximately $5.6 million would be payable upon remittance.

At December 28, 2014, the Company has provided for approximately $0.8 million in U.S. federal income taxes and approximately $0.1 million in foreign withholding taxes on approximately $2.4 million of undistributed earnings from foreign subsidiaries that are not deemed to be indefinitely reinvested outside of the U.S.

As of December 28, 2014 and December 29, 2013, the Company had $27.3 million and $27.4 million, respectively, of unrecognized tax benefits. If the $27.3 million of unrecognized tax benefits as of December 28, 2014 are recognized, there would be a favorable impact on the Company's effective tax rate in future periods. If the unrecognized tax benefits are not favorably settled, $5.5 million of the total amount of unrecognized tax benefits would require the use of cash in future periods.

The Company recognizes accrued interest and income tax penalties related to unrecognized tax benefits as a component of income tax expense. As of December 28, 2014, the Company had accrued interest and penalties of $1.2 million, which is included in the total unrecognized tax benefit noted above.

The Company's federal income tax returns are subject to examination for the years 2003 to the present. The Company files returns in numerous state and local jurisdictions and in general it is subject to examination by the state tax authorities for the years 2009 to the present. The Company files returns in numerous foreign jurisdictions and in general it is subject to examination by the foreign tax authorities for the years 2004 to the present.

During 2013, the Company executed advance pricing agreements ("APA") with the Canadian tax authorities ("CRA") and the Internal Revenue Service ("IRS"), for tax years 2006 through 2011, with respect to certain intercompany transactions ("Covered Transactions") between Interface, Inc. (including its U.S. subsidiaries) and its Canadian subsidiary, InterfaceFLOR Canada, Inc. The Covered Transactions include intercompany buy-sale distribution, contract manufacturing, provision of management services, and licensing intangibles.

The APAs encompass the final resolution resulting from the bilateral negotiations between the CRA and the IRS under the Canada-U.S. bilateral advance pricing agreement program ("BAPA"), which the Company was accepted into during 2008, with respect to the Covered Transactions for tax years 2006 through 2011.

During 2013, the Company recognized tax benefits of $1.9 million relating to the final resolution of the BAPA and a reduction of $0.6 million in federal income taxes and foreign withholding taxes previously provided on undistributed earnings, from its Canadian subsidiary, that were not deemed to be indefinitely reinvested outside the U.S.

Management believes changes to our unrecognized tax benefits that are reasonably possible in the next 12 months will not have a significant impact on our financial positions or results of operations. The timing of the ultimate resolution of the Company's tax matters and the payment and receipt of related cash is dependent on a number of factors, many of which are outside the Company's control.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits is as follows:

	FISCAL YEAR		
	2014	2013	2012
	(in thousands)		
Balance at beginning of year	$27,361	$25,186	$7,736
Increases related to tax positions taken during the current year	875	911	18,118
Increases related to tax positions taken during the prior years	1,157	3,938	150
Decreases related to tax positions taken during the prior years	(697)	(9)	(519)
Decreases related to settlements with taxing authorities	0	(1,928)	0
Decreases related to lapse of applicable statute of limitations	(919)	(397)	(300)
Changes due to foreign currency translation	(476)	(340)	1
Balance at end of year	$27,301	$27,361	$25,186

DISCONTINUED OPERATIONS

In 2012, the Company sold its Bentley Prince Street business segment to a third party. In accordance with applicable accounting standards, the Company has reported the results of operations for the former Bentley Prince Street business segment as “discontinued operations,” where applicable. Consequently, the Company’s discussion of sales and other results of operations (except for net income or loss amounts), including percentages derived from or based on such amounts, excludes these discontinued operations unless we indicate otherwise. There were no sales or income (loss) on operations associated with discontinued operations in 2014 or 2013.

Summary operating results for the discontinued operations are as follows:

	FISCAL YEAR		
	2014	2013	2012
	(in thousands)		
Net sales	$0	$ 0	$57,017
Income (loss) on operations before taxes	0	0	(26,120)
Taxes on income (benefit)	0	0	(9,164)
Income (loss) on operations, net of tax	0	0	(16,956)

Loss from discontinued operations, net of tax, for 2012 was comprised of the following after-tax amounts: (1) $8.6 million of loss on disposal; (2) $5.9 million of costs to sell the operations; and (3) $2.5 million of non-disposal loss from the discontinued operations.

There were no assets and liabilities, including reserves, related to discontinued operations that were held for sale as of December 28, 2014 or December 29, 2013.

COMMITMENTS AND CONTINGENCIES

The Company leases certain production, distribution and marketing facilities and equipment. At December 28, 2014, aggregate minimum rent commitments under operating leases with initial or remaining terms of one year or more consisted of the following:

FISCAL YEAR	AMOUNT *(in thousands)*
2015	$ 18,969
2016	13,394
2017	10,985
2018	7,068
2019	4,679
Thereafter	11,745

Rental expense amounted to approximately $24.6 million, $24.5 million and $22.8 million, for the years 2014, 2013 and 2012, respectively. This excludes rental expenses of approximately $2.6 million for 2012 related to discontinued operations.

The Company is from time to time a party to routine litigation incidental to its business. Management does not believe that the resolution of any or all of such litigation will have a material adverse effect on the Company's financial condition or results of operations.

EMPLOYEE BENEFIT PLANS

Defined Contribution and Deferred Compensation Plans

The Company has a 401(k) retirement investment plan ("401(k) Plan"), which is open to all otherwise eligible U.S. employees with at least six months of service. The 401(k) Plan calls for Company matching contributions on a sliding scale based on the level of the employee's contribution. The Company may, at its discretion, make additional contributions to the 401(k) Plan based on the attainment of certain performance targets by its subsidiaries. The Company's matching contributions are funded bi-monthly and totaled approximately $2.7 million, $2.6 million and $2.4 million for the years 2014, 2013 and 2012, respectively, for continuing operations. No discretionary contributions were made in 2014, 2013 or 2012.

Under the Company's nonqualified savings plans ("NSPs"), the Company provides eligible employees the opportunity to enter into agreements for the deferral of a specified percentage of their compensation, as defined in the NSPs. The NSPs call for Company matching contributions on a sliding scale based on the level of the employee's contribution. The obligations of the Company under such agreements to pay the deferred compensation in the future in accordance with the terms of the NSPs are unsecured general obligations of the Company. Participants have no right, interest or claim in the assets of the Company, except as unsecured general creditors. The Company has established a rabbi trust to hold, invest and reinvest deferrals and contributions under the NSPs. If a change in control of the Company occurs, as defined in the NSPs, the Company will contribute an amount to the rabbi trust sufficient to pay the obligation owed to each participant. Deferred compensation in connection with the NSPs totaled $24.5 million at December 28, 2014. The Company invests the deferrals in insurance instruments with readily determinable cash surrender values.

Foreign Defined Benefit Plans

The Company has trusteed defined benefit retirement plans which cover many of its European employees. The benefits are generally based on years of service and the employee's average monthly compensation. Pension expense was $0.1 million, $1.0 million and $0.8 million for the years 2014, 2013 and 2012, respectively. Plan assets are primarily invested in equity and fixed income securities. The Company uses a year-end measurement date for the plans. As of December 28, 2014, for the European plans, the Company had a net liability recorded of $14.7 million, an amount equal to their underfunded status, and has recorded in Other Comprehensive Income an amount equal to $45.4 million (net of taxes) related to the future amounts to be recorded in net post-retirement benefit costs.

The tables presented below set forth the funded status of the Company's significant foreign defined benefit plans and required disclosures in accordance with applicable accounting standards

	FISCAL YEAR	
	2014	2013
	(in thousands)	
Change in benefit obligation		
Benefit obligation, beginning of year	$251,181	$243,649
Service cost	705	804
Interest cost	10,563	9,610
Benefits and expenses paid	(9,542)	(10,820)
Actuarial loss (gain)	41,631	2,312
Member contributions	294	331
Currency translation adjustment	(19,070)	5,295
Benefit obligation, end of year	$275,762	$251,181

	FISCAL YEAR	
	2014	2013
	(in thousands)	
Change in plan assets		
Plan assets, beginning of year	$253,761	$241,027
Actual return on assets	29,280	12,761
Company contributions	5,815	5,195
Benefits paid	(9,542)	(10,807)
Currency translation adjustment	(18,288)	5,585
Plan assets, end of year	$261,026	$253,761

Reconciliation to balance sheet		
Funded status benefit asset/(liability)	$(14,736)	$2,580
Net amount recognized	$(14,736)	$2,580
Amounts recognized in accumulated other comprehensive income (after tax)		
Unrecognized actuarial loss	$45,836	$31,302
Unamortized prior service costs	(423)	152
Total amount recognized	$45,413	$31,454

The above disclosure represents the aggregation of information related to the Company's two defined benefit plans which cover many of its European employees. As of December 28, 2014, and December 29, 2013, one of these plans, which primarily covers certain employees in the United Kingdom (the "UK Plan"), had an accumulated benefit obligation in excess of the plan assets. The other plan, which covers certain employees in Europe (the "Europe Plan"), had assets in excess of the accumulated benefit obligation. The following table summarizes this information as of December 28, 2014, and December 29, 2013.

	2014	2013
	(in thousands)	
UK Plan		
Projected Benefit Obligation	$190,303	$176,909
Accumulated Benefit Obligation	190,303	176,909
Plan Assets	179,205	174,039
Europe Plan		
Projected Benefit Obligation	$85,459	$74,272
Accumulated Benefit Obligation	81,353	71,297
Plan Assets	81,821	79,722

	FISCAL YEAR		
	2014	2013	2012
	(in thousands)		
Components of net periodic benefit cost			
Service cost	$705	$804	$505
Interest cost	10,563	9,610	10,212
Expected return on plan assets	(11,904)	(10,150)	(11,203)
Amortization of prior service cost	19	89	86
Recognized net actuarial (gains)/losses	648	684	1,189
Net periodic benefit cost	$31	$1,037	$789

For 2015, it is estimated that approximately $1.0 million of expenses related to the amortization of unrecognized items will be included in the net periodic benefit cost. During 2014, other comprehensive income was impacted by approximately $24.4 million comprised of actuarial loss of approximately $25.0 million and amortization of $0.6 million.

	FISCAL YEAR		
	2014	2013	2012
Weighted average assumptions used to determine net periodic benefit cost			

Discount rate	4.0%	4.0 %	4.7 %
Expected return on plan assets	4.2%	4.7 %	5.7 %
Rate of compensation	2.0%	2.0 %	2.0 %
Weighted average assumptions used to determine benefit obligations			
Discount rate	3.2%	4.25%	4.0 %
Rate of compensation	2.0%	2.0 %	2.0 %

The expected long-term rate of return on plan assets assumption is based on weighted average expected returns for each asset class. Expected returns reflect a combination of historical performance analysis and the forward-looking views of the financial markets, and include input from actuaries, investment service firms and investment managers.

The Company's foreign defined benefit plans' accumulated benefit obligations were in excess of the fair value of plan assets. The projected benefit obligations, accumulated benefit obligations and fair value of these plans are as follows:

	FISCAL YEAR	
	2014	2013
	(in thousands)	
Projected benefit obligation	$275,762	$251,181
Accumulated benefit obligations	271,656	248,206
Fair value of plan assets	261,026	253,761

The investment objectives of the foreign defined benefit plans are to maximize the return on the investments without exceeding the limits of the prudent pension fund investment, to ensure that the assets would be sufficient to exceed minimum funding requirements, and to achieve a favorable return against the performance expectation based on historic and projected rates of return over the short term. The goal is to optimize the long-term return on plan assets at a moderate level of risk, by balancing higher-returning assets, such as equity securities, with less volatile assets, such as fixed income securities. The assets are managed by professional investment firms and performance is evaluated periodically against specific benchmarks. The plans' net assets did not include the Company's own stock at December 28, 2014, or December 29, 2013.

The Company's actual weighted average asset allocations for 2014 and 2013, and the targeted asset allocation for 2015, of the foreign defined benefit plans by asset category, are as follows:

	FISCAL YEAR		
	2015	2014	2013
	Target Allocation	Percentage of Plan Assets at Year End	
Asset Category:			
Equity Securities	55% - 65%	63%	65%
Debt Securities	30% - 40%	34%	32%
Other	0% - 5%	3%	3%
	100%	100%	100%

Fair Value Measurements of Plan Assets

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure estimated fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for

identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under applicable accounting standards are described below:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
Level 2	Inputs to the valuation methodology include: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; and inputs that are derived principally or corroborated by observable data by correlation or other means.
Level 3	Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table sets forth by level within the fair value hierarchy the foreign defined benefit plans' assets at fair value, as of December 28, 2014 and December 29, 2013. As required by accounting standards, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Pension Plan Assets by Category as of December 28, 2014		
	Europe Plan	**UK Plan**	**Total**
		(in thousands)	
Level 1	$81,821	$ 173,271	$255,092
Level 2	0	0	0
Level 3	0	5,934	5,934
Total	$81,821	$ 179,205	$261,026

	Pension Plan Assets by Category as of December 29, 2013		
	Europe Plan	**UK Plan**	**Total**
		(in thousands)	
Level 1	$79,722	$ 167,397	$247,119
Level 2	0	0	0
Level 3	0	6,642	6,642
Total	$79,722	$ 174,039	$253,761

The assets identified as level 3 above relate to insured annuities held by the UK Plan. The fair value of these assets was calculated using the present value of the future pension payments due under the insurance policies. The table below indicates the change in value related to these level 3 assets during 2014:

	2014 *(in thousands)*
Balance of level 3 assets, beginning of year	$ 6,642
Interest cost	287
Benefits paid	(918)
Actuarial loss	212
Translation adjustment	(289)
Ending Balance of level 3 assets	$ 5,934

During 2015, the Company expects to contribute $5.1 million to the plan trust. It is anticipated that future benefit payments for the foreign defined benefit plans will be as follows:

FISCAL YEAR	EXPECTED PAYMENTS *(in thousands)*
2015	$ 8,902
2016	9,021
2017	9,206
2018	9,664
2019	9,749
2020-2024	48,585

Domestic Defined Benefit Plan

The Company maintains a domestic nonqualified salary continuation plan ("SCP"), which is designed to induce selected officers of the Company to remain in the employ of the Company by providing them with retirement, disability and death benefits in addition to those which they may receive under the Company's other retirement plans and benefit programs. The SCP entitles participants to: (i) retirement benefits upon normal retirement at age 65 (or early retirement as early as age 55) after completing at least 15 years of service with the Company (unless otherwise provided in the SCP), payable for the remainder of their lives (or, if elected by a participant, a reduced benefit is payable for the remainder of the participant's life and any surviving spouse's life) and in no event less than 10 years under the death benefit feature; (ii) disability benefits payable for the period of any total disability; and (iii) death benefits payable to the designated beneficiary of the participant for a period of up to 10 years. Benefits are determined according to one of three formulas contained in the SCP, and the SCP is administered by the Compensation Committee of the Company's Board of Directors, which has full discretion in choosing participants and the benefit formula applicable to each. The Company's obligations under the SCP are currently unfunded (although the Company uses insurance instruments to hedge its exposure thereunder). The Company is required to contribute the present value of its obligations thereunder to an irrevocable grantor trust in the event of a change in control as defined in the SCP. The Company uses a year-end measurement date for the domestic SCP.

The tables presented below set forth the required disclosures in accordance with applicable accounting standards, and amounts recognized in the consolidated financial statements related to the domestic SCP.

	FISCAL YEAR	
	2014	2013
	(in thousands)	
Change in benefit obligation		
Benefit obligation, beginning of year	$20,947	$21,923
Service cost	500	534
Interest cost	1,071	997
Benefits paid	(847)	(847)
Actuarial loss (gain)	2,345	(1,660)
Benefit obligation, end of year	$24,016	$20,947

The amounts recognized in the consolidated balance sheets are as follows:

	2014	2013
	(in thousands)	
Current liabilities	$847	$848
Non-current liabilities	23,169	20,099
	$24,016	$20,947

The components of the amounts in accumulated other comprehensive income, after tax, are as follows:

	2014	2013
	(in thousands)	
Unrecognized actuarial loss	$3,949	$2,614
Unrecognized transition asset	0	0
Unamortized prior service cost	0	14
	$3,949	$2,628

The accumulated benefit obligation related to the SCP was $20.3 million and $17.6 million as of December 28, 2014, and December 29, 2013, respectively. The SCP is currently unfunded; as such, the benefit obligations disclosed are also the benefit obligations in excess of the plan assets. The Company uses insurance instruments to help limit its exposure under the SCP.

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	2014	2013	2012
	(in thousands, except for assumptions)		
Assumptions used to determine net periodic benefit cost			
Discount rate	4.5 %	4.0 %	4.75 %
Rate of compensation	4.0 %	4.0 %	4.0 %
Assumptions used to determine benefit obligations			
Discount rate	4.0 %	4.5 %	4.0 %
Rate of compensation	4.0 %	4.0 %	4.0 %
Components of net periodic benefit cost			
Service cost	$500	$534	$452
Interest cost	1,072	997	1,014
Amortizations	291	489	316
Net periodic benefit cost	$1,863	$2,020	$1,782

The changes in other comprehensive income during 2014 related to this Plan were approximately $1.3 million, after tax, primarily comprised of a net loss during the period of $1.3 million.

For 2015, the Company estimates that approximately $0.5 million of expenses related to the amortization of unrecognized items will be included in net periodic benefit cost for the SCP.

During 2014, the Company contributed $0.8 million in the form of direct benefit payments for its domestic SCP. It is anticipated that future benefit payments for the SCP will be as follows:

FISCAL YEAR	EXPECTED PAYMENTS *(in thousands)*
2015	$ 847
2016	847
2017	847
2018	847
2019	847
2020-2024	9,504

FIRE AT AUSTRALIAN MANUFACTURING FACILITY

In July 2012, a fire occurred at the Company's manufacturing facility in Picton, Australia, causing extensive damage and rendering the facility inoperable. As a result of the fire, in 2012, the Company recorded a charge of approximately $22.3 million for impairment of fixed assets, and incurred approximately $21.3 million of excess production costs as the Company utilized its other manufacturing facilities to service customers in Australia and New Zealand. Each of these amounts for impairment of fixed assets and excess production costs previously were recorded as a receivable on the Company's balance sheet, because they were subject to a claim for reimbursement under the Company's insurance policy. In 2012, the Company received $20.7 million in reimbursement from its insurance company related to the fire. Following the receipt of those proceeds, as of the end of 2012, the Company had an insurance recovery receivable on the fire claim of approximately $22.9 million.

In addition to the excess production costs described above, in 2012 the Company incurred approximately $1.7 million of costs related to the fire that were non-production related and were not the subject of a claim under the Company's insurance policy. As a result, this amount was included in the determination of operating income as shown in the line item "Expenses related to Australia fire" in the Company's consolidated condensed statement of operations.

In 2013, the Company recorded further impairment of fixed assets of $2.7 million and excess production costs of $23.4 million related to the fire. (Thus, the aggregate of the amounts for impairment of fixed assets and excess production costs recorded during 2012 and 2013 totaled $69.7 million). In the first nine months of 2013, the Company received $33.7 million of further reimbursements related to the fire insurance claim, and in the fourth quarter of 2013, the Company received a final settlement payment of $22.3 million from its insurance company. (Thus, the aggregate cash insurance proceeds received during 2012 and 2013 totaled $76.7 million.)

At the time of the final insurance settlement payment, the amount of proceeds received exceeded the amount that the Company had recorded as a receivable. (Certain amounts claimed with the insurance company had not been recorded in the Company's financial statements, in accordance with applicable accounting standards.) Accordingly, the amount of reimbursement received in excess of the insurance receivable, approximately $7.0 million, was recorded as a gain during 2013 in the consolidated statement of operations. There was no insurance recovery receivable as of the end of 2013, or since that time, and the Company does not expect to incur any additional fire related expenses or record any additional fire related recoveries from the insurer.

As described in Items 1 and 7 of this report, the Company's new manufacturing facility in Minto, Australia commenced operations in January 2014.

ENTERPRISE-WIDE DISCLOSURES

Based on applicable accounting standards, the Company has determined that it has three operating segments – namely, the Americas (approximately 57% of net sales), Europe (approximately 28% of net sales) and Asia-Pacific (approximately 15% of net sales) geographic regions. Pursuant to accounting standards, the Company has aggregated the three operating segments into one reporting segment because they have similar economic characteristics, and the operating segments are similar in all of the following areas: (a) the nature of the products and services; (b) the nature of the production processes; (c) the type or class of customer for their products and services; (d) the methods used to distribute their products or provide their services; and (e) the nature of the regulatory environment. In August 2012, the Company sold its Bentley Prince Street business segment. Accordingly the Company has included the operations of the former Bentley Prince Street segment in discontinued operations, where applicable.

The Company has a large and diverse customer base, which includes numerous customers located in foreign countries. No single unaffiliated customer accounted for more than 10% of total sales in any year during the past three years. Sales to customers in foreign markets in 2014, 2013 and 2012 were approximately 51%, 52% and 55%, respectively, of total net sales. These sales were primarily to customers in Europe, Canada, Asia, Australia and Latin America. With the exception of the United States, no one country represented more than 10% of the Company's net sales. Revenue and long-lived assets related to operations in the United States and other countries are as follows:

	FISCAL YEAR		
	2014	2013	2012
	(in thousands)		
SALES TO UNAFFILIATED CUSTOMERS[1]			
United States	$487,001	$458,585	$421,355
United Kingdom	83,182	75,076	83,373
Australia	79,922	78,569	87,115
Other foreign countries	353,798	347,759	340,177
Net sales	$1,003,903	$959,989	$932,020
LONG-LIVED ASSETS[2]			
United States	$86,856	$85,518	
United Kingdom	10,604	16,541	
Netherlands	38,086	35,619	
Australia	57,410	60,199	
China	14,007	16,281	
Other foreign countries	20,384	16,687	
Total long-lived assets	$227,347	$230,845	

[1] Revenue attributed to geographic areas is based on the location of the customer.

[2] Long-lived assets include tangible assets physically located in foreign countries.

QUARTERLY DATA AND SHARE INFORMATION (UNAUDITED)

The following tables set forth, for the fiscal periods indicated, selected consolidated financial data and information regarding the market price per share of the Company's Common Stock. The prices represent the reported high and low sale prices during the period presented.

FISCAL YEAR 2014

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER[1]	FOURTH QUARTER[2]
	(in thousands, except per share data)			
Net sales	$218,992	$ 260,624	$ 252,191	$ 272,096
Gross profit	74,686	90,385	83,595	91,361
Net income (loss)	4,025	13,071	(376)	8,088
Basic income (loss) per share	$0.06	$ 0.20	$ (0.01)	$ 0.12
Diluted income (loss) per share	$0.06	$ 0.20	$ (0.01)	$ 0.12
Share prices				
High	$22.46	$ 21.13	$ 19.41	$ 16.74
Low	$18.63	$ 17.11	$ 15.72	$ 12.98

[1] Results for the third quarter of 2014 include restructuring and asset impairment charges of $12.4 million.

[2] Results for the fourth quarter of 2014 include debt retirement expenses of $12.0 million.

	FISCAL YEAR 2013			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER[1]
	(in thousands, except per share data)			
Net sales	$210,369	$ 243,483	$ 254,448	$ 251,689
Gross profit	71,252	86,233	91,753	91,871
Net income	6,997	10,965	14,957	15,336
Basic income per share	$0.11	$ 0.17	$ 0.23	$ 0.23
Diluted income per share:	$0.11	$ 0.17	$ 0.23	$ 0.23
Share prices				
High	$19.96	$ 19.86	$ 20.30	$ 21.74
Low	15.76	15.13	16.73	18.54

(1) The fourth quarter of 2013 includes a gain of $7.0 million related to final settlement of the Company's fire insurance claim in Australia. The fourth quarter of 2013 also includes $1.7 million of expenses related to debt retirement.

ITEMS RECLASSIFIED FROM OTHER COMPREHENSIVE INCOME

During 2014, the Company did not reclassify any significant amounts out of accumulated other comprehensive income. The only reclassifications that occurred in that period were comprised of $1.0 million related to the Company's defined retirement benefit plans and salary continuation plan. These reclassifications were included in the selling, general and administrative expenses line item of the Company's consolidated statement of operations.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of Interface, Inc. and Subsidiaries

Atlanta, Georgia

We have audited the accompanying consolidated balance sheets of Interface, Inc. and Subsidiaries as of December 28, 2014 and December 29, 2013 and the related consolidated statements of operations and comprehensive income and cash flows for each of the three years in the period ended December 28, 2014. In connection with our audits of the financial statements we have also audited the financial statement schedule listed in the accompanying index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedules. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Interface, Inc. and Subsidiaries at December 28, 2014 and December 29, 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 28, 2014, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Interface, Inc. and Subsidiaries' internal control over financial reporting as of December 28, 2014, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 25, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Atlanta, Georgia

February 25, 2015

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of Interface, Inc. and Subsidiaries

Atlanta, Georgia

We have audited Interface, Inc. and Subsidiaries' internal control over financial reporting as of December 28, 2014, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Interface, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Interface, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 28, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Interface, Inc. and Subsidiaries as of December 28, 2014 and December 29, 2013, and the related consolidated statements of operations and comprehensive income, and cash flows for each of the three years in the period ended December 28, 2014 and our report dated February 25, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Atlanta, Georgia

February 25, 2015

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. As of the end of the period covered by this Annual Report on Form 10-K, an evaluation was performed under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Senior Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, pursuant to Rule 13a-14(c) under the Act. Based on that evaluation, our President and Chief Executive Officer and our Senior Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting. The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of December 28, 2014 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control – Integrated Framework (2013)." Based on that assessment, management concluded that, as of December 28, 2014, our internal control over financial reporting was effective based on those criteria.

Our independent auditors have issued an audit report on the effectiveness of our internal control over financial reporting. This report immediately precedes Item 9 of this Report.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information contained under the captions “Nomination and Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance” and “Meetings and Committees of the Board of Directors” in our definitive Proxy Statement for our 2015 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of our 2014 fiscal year, is incorporated herein by reference. Pursuant to Instruction 3 to Paragraph (b) of Item 401 of Regulation S-K, information relating to our executive officers is included in Item 1 of this Report.

We have adopted the “Interface Code of Business Conduct and Ethics” (the “Code”) which applies to all of our employees, officers and directors, including the Chief Executive Officer and Chief Financial Officer. The Code may be viewed on our website at www.interface.com. Changes to the Code will be posted on our website. Any waiver of the Code for executive officers or directors may be made only by our Board of Directors and will be disclosed to the extent required by law or Nasdaq rules on our website or in a filing on Form 8-K.

ITEM 11. EXECUTIVE COMPENSATION

The information contained under the captions “Executive Compensation and Related Items,” “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Compensation Committee Interlocks and Insider Participation,” and “Potential Payments upon Termination or Change in Control” in our definitive Proxy Statement for our 2015 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of our 2014 fiscal year, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained under the captions “Principal Shareholders and Management Stock Ownership” and “Equity Compensation Plan Information” in our definitive Proxy Statement for our 2015 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of our 2014 fiscal year, is incorporated herein by reference.

For purposes of determining the aggregate market value of our voting and non-voting stock held by non-affiliates, shares held by our directors and executive officers have been excluded. The exclusion of such shares is not intended to, and shall not, constitute a determination as to which persons or entities may be “affiliates” as that term is defined under federal securities laws.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information contained under the captions “Certain Relationships and Related Transactions” and “Director Independence” in our definitive Proxy Statement for our 2015 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of our 2014 fiscal year, is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information contained under the captions “Audit and Non-Audit Fees” and “Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors” in our definitive Proxy Statement

for our 2015 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of our 2014 fiscal year, is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. Financial Statements

The following Consolidated Financial Statements and Notes thereto of Interface, Inc. and subsidiaries and related Reports of Independent Registered Public Accounting Firm are contained in Item 8 of this Report:

Consolidated Statements of Operations and Comprehensive Income — fiscal years ended December 28, 2014, December 29, 2013 and December 30, 2012.

Consolidated Balance Sheets — December 28, 2014 and December 29, 2013.

Consolidated Statements of Cash Flows — fiscal years ended December 28, 2014, December 29, 2013 and December 30, 2012.

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

2. Financial Statement Schedule

The following Consolidated Financial Statement Schedule of Interface, Inc. and subsidiaries and related Report of Independent Registered Public Accounting Firm are included as part of this Report (see the pages immediately preceding the signatures in this Report.

Report of Independent Registered Public Accounting Firm

Schedule II — Valuation and Qualifying Accounts and Reserves

3. Exhibits

The following exhibits are included as part of this Report:

Exhibit Number	**Description of Exhibit**
3.1	Restated Articles of Incorporation and accompanying Clarification Certificate (included as Exhibit 3.1 to the Company's quarterly report on Form 10-Q filed on May 10, 2012, previously filed with the Commission and incorporated herein by reference).
3.2	Bylaws, as amended and restated (included as Exhibit 3.1 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2007, previously filed with the Commission and incorporated herein by reference).
4.1	—

	See Exhibits 3.1 and 3.2 for provisions in the Company's Articles of Incorporation and Bylaws defining the rights of holders of Common Stock of the Company.
4.2	Rights Agreement dated March 7, 2008 and effective as of March 17, 2008 between the Company and Computershare Trust Company, N.A. (included as Exhibit 4.1 to the Company's current report on Form 8-K filed on March 7, 2008, previously filed with the Commission and incorporated herein by reference).
10.1	Salary Continuation Plan, dated May 7, 1982 (included as Exhibit 10.20 to the Company's registration statement on Form S-1, File No. 2-82188, previously filed with the Commission and incorporated herein by reference).*
10.2	Form of Salary Continuation Agreement, dated as of January 1, 2008 (as used for Daniel T. Hendrix, Raymond S. Willoch and John R. Wells) (included as Exhibit 99.5 to the Company's current report on Form 8-K filed on January 7, 2008, previously filed with the Commission and incorporated herein by reference).*
10.3	Interface, Inc. Omnibus Stock Incentive Plan (as amended and restated effective February 23, 2010) (included as Exhibit 99.1 to the Company's current report on Form 8-K filed on May 26, 2010, previously filed with the Commission and incorporated herein by reference); Forms of Restricted Stock Agreement, as used for directors, executive officers and other key employees/consultants (included as Exhibits 99.1, 99.2 and 99.3, respectively, to the Company's current report on Form 8-K filed on January 14, 2005, previously filed with the Commission and incorporated herein by reference); and Form of Restricted Stock Agreement, as used for executive officers (included as Exhibit 10.5 to the Company's annual report on Form 10-K for the year ended December 30, 2007, previously filed with the Commission and incorporated herein by reference).*
10.4	Interface, Inc. Executive Bonus Plan, adopted on February 19, 2014 (included as Exhibit 99.1 to the Company's current report on Form 8-K filed on February 24, 2014, previously filed with the Commission and incorporated herein by reference).*

10.5	Interface, Inc. Nonqualified Savings Plan (as amended and restated effective January 1, 2002) (included as Exhibit 10.4 to the Company's annual report on Form 10-K for the year ended December 30, 2001, previously filed with the Commission and incorporated herein by reference); First Amendment thereto, dated as of December 20, 2002 (included as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended June 29, 2003, previously filed with the Commission and incorporated herein by reference); Second Amendment thereto, dated as of December 30, 2002 (included as Exhibit 10.3 to the Company's quarterly report on Form 10-Q for the quarter ended June 29, 2003, previously filed with the Commission and incorporated herein by reference); Third Amendment thereto, dated as of May 8, 2003 (included as Exhibit 10.6 to the Company's annual report on Form 10-K for the year ended December 28, 2003 (the "2003 10-K"), previously filed with the Commission and incorporated herein by reference); and Fourth Amendment thereto, dated as of December 31, 2003 (included as Exhibit 10.7 to the 2003 10-K, previously filed with the Commission and incorporated herein by reference).*
10.6	Amended and Restated Employment and Change in Control Agreement of Daniel T. Hendrix dated January 1, 2008 (included as Exhibit 99.2 to the Company's current report on Form 8-K filed on January 7, 2008, previously filed with the Commission and incorporated herein by reference).*
10.7	Amended and Restated Employment and Change in Control Agreement of Patrick C. Lynch dated January 1, 2008 (included as Exhibit 99.1 to the Company's current report on Form 8-K filed on January 7, 2008, previously filed with the Commission and incorporated herein by reference).*
10.8	Amended and Restated Employment and Change in Control Agreement of John R. Wells dated January 1, 2008 (included as Exhibit 99.3 to the Company's current report on Form 8-K filed on January 7, 2008, previously filed with the Commission and incorporated herein by reference).*
10.9	Amended and Restated Employment and Change in Control Agreement of Raymond S. Willoch dated January 1, 2008 (included as Exhibit 99.4 to the Company's current report on Form 8-K filed on January 7, 2008, previously filed with the Commission and incorporated herein by reference).*
10.10	Employment and Change in Control Agreement of Jay D. Gould dated January 9, 2015 (included as Exhibit 99.2 to the Company's current report on Form 8-K filed on January 13, 2015, previously filed with the Commission and incorporated herein by reference).*
10.11	Split Dollar Insurance Agreement, dated February 21, 1997, between the Company and Daniel T. Hendrix (included as Exhibit 10.2 to the Company's quarterly report on Form 10-Q for the quarter ended October 4, 1998, previously filed with the Commission and incorporated herein by reference); and Amendment thereto, dated December 29, 2008 (included as Exhibit 99.1 to the Company's current report on Form 8-K filed on January 2, 2009, previously filed with the Commission and incorporated herein by reference).*
10.12	Form of Indemnity Agreement of Director (as used for directors of the Company) (included as Exhibit 99.1 to the Company's current report on Form 8-K filed on November 30, 2005, previously filed with the Commission and incorporated herein by reference).*
10.13	Form of Indemnity Agreement of Officer (as used for certain officers of the Company, including Daniel T. Hendrix, John R. Wells, Patrick C. Lynch, Raymond S. Willoch, and Robert A. Coombs) (included as Exhibit 99.2 to the Company's current report on Form 8-K filed on November 30, 2005, previously filed with the Commission and incorporated herein by reference).*
10.14	Interface, Inc. Long-Term Care Insurance Plan and related Summary Plan Description (included as Exhibit 99.2 to the Company's current report on Form 8-K filed on December 20, 2005, previously filed with the Commission and incorporated herein by reference).*
10.15	Interface, Inc. Nonqualified Savings Plan II, as amended and restated effective January 1, 2009 (included as Exhibit 10.18 to the Company's annual report on Form 10-K for the year ended December 29, 2013 (the "2012 10-K"), previously filed with the Commission and incorporated herein by reference; First Amendment thereto, dated February 26, 2009 (included as Exhibit 10.19 to the 2012 10-K, previously filed with the Commission and incorporated herein by reference); Second Amendment thereto, dated December 9, 2009 (included as Exhibit 10.20 to the 2012 10-K, previously filed with the Commission and incorporated herein by reference);

Third Amendment thereto, dated April 15, 2010 (included as Exhibit 10.21 to the 2012 10-K, previously filed with the Commission and incorporated herein by reference); and Fourth Amendment thereto, dated August 9, 2012 (included as Exhibit 10.22 to the 2012 10-K, previously filed with the Commission and incorporated herein by reference).*

10.16	Syndicated Facility Agreement, dated as of October 22, 2013, among Interface, Inc., certain subsidiaries of the Company as borrowers, certain subsidiaries of the Company as guarantors, Bank of America, N.A. as Administrative Agent, The Royal Bank of Scotland, as Syndication Agent, and SunTrust Bank and Regions Bank, as Co-Documentation Agents, and the other lenders party thereto (included as Exhibit 99.1 to the Company's current report on Form 8-K filed on October 23, 2013, previously filed with the Commission and incorporated herein by reference); and First Amendment thereto, dated as of October 3, 2014 (included as Exhibit 99.1 to the Company's current report on Form 8-K filed on October 7, 2014, previously filed with the Commission and incorporated herein by reference).
10.17	Security and Pledge Agreement, dated as of October 22, 2013, among Interface, Inc., certain subsidiaries of the Company as obligors, and Bank of America, N.A. as Administrative Agent (included as Exhibit 99.2 to the Company's current report on Form 8-K filed on October 23, 2013, previously filed with the Commission and incorporated herein by reference).
10.18	Employment Contract of Robert Boogaard dated August 19, 2011.*
21	Subsidiaries of the Company.
23	Consent of BDO USA, LLP.
24	Power of Attorney (see signature page of this Report).
31.1	Certification of Chief Executive Officer with respect to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2014.
31.2	Certification of Chief Financial Officer with respect to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2014.
32.1	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of United States Code by Chief Executive Officer with respect to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2014.
32.2	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of United States Code by Chief Financial Officer with respect to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2014.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document

* Management contract or compensatory plan or agreement required to be filed pursuant to Item 15(b) of this Report.

Report of Independent Registered Public Accounting Firm

Board and Directors and Shareholders of Interface, Inc. and Subsidiaries

Atlanta, Georgia

The audits referred to in our report, dated February 25, 2015, relating to the consolidated financial statements of Interface, Inc. and Subsidiaries, which is contained in Item 8 of this Form 10-K, also included the audit of the Financial Statement Schedule II (Valuation and Qualifying Accounts and Reserves) listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ BDO USA, LLP

Atlanta, Georgia,

February 25, 2015

INTERFACE, INC. AND SUBSIDIARIES

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

	COLUMN A BALANCE, AT BEGINNING OF YEAR	COLUMN B CHARGED TO COSTS AND EXPENSES (A)	COLUMN C CHARGED TO OTHER ACCOUNTS	COLUMN D DEDUCTIONS (DESCRIBE) (B)	COLUMN E BALANCE, AT END OF YEAR
	(in thousands)				
Allowance for Doubtful Accounts:					
Year Ended:					
December 28, 2014	$7,646	$ (730)	$ 0	$ 1,020	$ 7,936
December 29, 2013	8,818	253	0	1,425	7,646
December 30, 2012	8,920	1,338	0	1,440	8,818

(A) Includes changes in foreign currency exchange rates.

(B) Write off of bad debt, and recovering of previously provided for amounts.

	COLUMN A BALANCE, AT BEGINNING OF YEAR	COLUMN B CHARGED TO COSTS AND EXPENSES (A)	COLUMN C CHARGED TO OTHER ACCOUNTS(B)	COLUMN D DEDUCTIONS (DESCRIBE) (C)	COLUMN E BALANCE, AT END OF YEAR
	(in thousands)				
Restructuring Reserve:					
Year Ended:					
December 28, 2014	$519	$ 9,315	$ 2,717	$ 5,372	$ 7,179

December 29, 2013	4,350	0	0	3,831	519
December 30, 2012	4,112	18,927	9,364	9,325	4,350

(A) Includes changes in foreign currency exchange rates.

(B) Reduction of asset carrying value.

(C) Cash payments.

	COLUMN A BALANCE AT BEGINNING OF YEAR	COLUMN B CHARGED TO COSTS AND EXPENSES (A)	COLUMN C CHARGED TO OTHER ACCOUNTS	COLUMN D DEDUCTIONS (DESCRIBE) (B)	COLUMN E BALANCE, AT END OF YEAR
	(in thousands)				
Reserves for Sales Returns and Allowances:					
Year ended:					
December 28, 2014	$3,571	$ 63	$ 0	$ 1,438	$ 2,196
December 29, 2013	3,099	1,360	0	888	3,571
December 30, 2012	4,276	1,441	0	2,618	3,099

(A) Includes changes in foreign currency exchange rates.

(B) Represents credits issued and adjustments to reflect actual exposure.

	COLUMN A BALANCE AT BEGINNING OF YEAR	COLUMN B CHARGED TO COSTS AND EXPENSES (A)	COLUMN C CHARGED TO OTHER ACCOUNTS	COLUMN D DEDUCTIONS (DESCRIBE) (B)	COLUMN E BALANCE, AT END OF YEAR
	(in thousands)				
Warranty Reserves :					
Year ended:					
December 28, 2014	$1,364	$ 394	$ 0	$ 0	$ 1,758
December 29, 2013	1,232	446	0	314	1,364
December 30, 2012	871	361	0	0	1,232

(A) Includes changes in foreign currency exchange rates.

(B) Represents costs applied against reserve and adjustments to reflect actual exposure.

	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	BALANCE, AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES (A)	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS (DESCRIBE) (B)	BALANCE, AT END OF YEAR
	(in thousands)				
Inventory Reserves :					
Year ended:					
December 28, 2014	$13,416	$ 4,819	$ 0	$ 3,451	$ 14,784
December 29, 2013	12,946	3,445	0	2,975	13,416
December 30, 2012	10,366	4,252	0	1,672	12,946

(A) Includes changes in foreign currency exchange rates.

(B) Represents costs applied against reserve and adjustments to reflect actual exposure.

(All other Schedules for which provision is made in the applicable accounting requirements of the Securities and Exchange Commission are omitted because they are either not applicable or the required information is shown in the Company's Consolidated Financial Statements or the Notes thereto.)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 25, 2015 **INTERFACE, INC.**

By: /s/ DANIEL T. HENDRIX
Daniel T. Hendrix
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Daniel T. Hendrix as attorney-in-fact, with power of substitution, for him or her in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	**Capacity**	**Date**
/s/ DANIEL T. HENDRIX Daniel T. Hendrix	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	February 25, 2015
/s/ PATRICK C. LYNCH Patrick C. Lynch	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 25, 2015
/s/ JOHN P. BURKE John P. Burke	Director	February 25, 2015
/s/ EDWARD C. CALLAWAY Edward C. Callaway	Director	February 25, 2015

/s/ ANDREW B. COGAN Andrew B. Cogan	Director	February 25, 2015
/s/ CARL I. GABLE Carl I. Gable	Director	February 25, 2015
/s/ JUNE M. HENTON June M. Henton	Director	February 25, 2015
/s/ CHRISTOPHER G. KENNEDY Christopher G. Kennedy	Director	February 25, 2015
/s/ K. DAVID KOHLER K. David Kohler	Director	February 25, 2015
/s/ JAMES B. MILLER, JR. James B. Miller, Jr.	Director	February 25, 2015
/s/ HAROLD M. PAISNER Harold M. Paisner	Director	February 25, 2015

EXHIBIT INDEX

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