FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 28, 1999

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 1-10542

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

New York	11-2165495
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

P.O. Box 19109 - 7201 West Friendly Avenue Greensboro, NC	27419
(Address of principal executive offices)	(Zip Code)

(336) 294-4410
(Registrant's telephone number, including area code)
Same
(Former name, former address and former fiscal year, if changed since last report)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date.

Class	Outstanding at May 2, 1999
Common Stock, par value $.10 per share	59,756,986 Shares

UNIFI, INC.
Condensed Consolidated Balance Sheets

	March 28, 1999 (Unaudited)	June 28, 1998 (Note)
	(Amounts in Thousands)	
ASSETS:		
Current assets:		
Cash and cash equivalents	$34,926	$8,372
Receivables	167,159	222,310
Inventories:		
Raw materials and supplies	41,237	45,044
Work in process	15,040	14,800
Finished goods	71,502	77,357
Other current assets	1,136	1,308
Total current assets	331,000	369,191
Property, plant and equipment	1,208,030	1,145,622
Less: accumulated depreciation	528,740	497,042
	679,290	648,580
Equity investments in unconsolidated affiliates	207,325	212,448
Other noncurrent assets	98,116	108,585
Total assets	$1,315,731	$1,338,804
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$67,643	$93,922
Accrued expenses	50,073	43,939
Income taxes payable	3,975	5,218
Current maturities of long-term debt and other current liabilities	16,238	16,234
Total current liabilities	137,929	159,313
Long-term debt and other liabilities	443,363	463,967

Deferred income taxes	75,626	62,970
Minority interests	15,544	16,357
Shareholders' equity:		
Common stock	6,003	6,163
Capital in excess of par value	-	22,454
Retained earnings	650,752	618,128
Accumulated other comprehensive loss	(13,486)	(10,548)
Total shareholders' equity	643,269	636,197
Total liabilities and shareholders' equity	$1,315,731	$1,338,804

Note: The balance sheet at June 28, 1998, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See Accompanying Notes to Condensed Consolidated Financial Statements.

UNIFI, INC.
Condensed Consolidated Statement of Income
(Unaudited)

(Amounts in Thousands Except Per Share Data)

	For the Quarters Ended		For the Nine Months Ended	
	March 28, 1999	March 29, 1998	March 28, 1999	March 29, 1998
Net sales	$294,805	$345,986	$943,474	$1,018,924
Cost of goods sold	264,835	287,852	815,567	852,267
Selling, general & admin. expense	19,649	11,286	42,631	31,776
Operating income	10,321	46,848	85,276	134,881
Interest expense	6,983	4,287	20,122	10,843
Interest income	(536)	(579)	(1,728)	(1,451)
Other (income) expense	(17)	(93)	1,275	166
Equity in (earnings) losses of unconsolidated affiliates	2,241	(5,870)	(4,398)	(15,007)
Minority interests	(114)	-	4,686	-
Income before income taxes	1,764	49,103	65,319	140,330
Provision for income taxes	671	15,817	20,698	46,500
Income before cumulative effect of accounting change	1,093	33,286	44,621	93,830
Cumulative effect of accounting change, net of tax	-	-	2,768	4,636
Net income	$1,093	$33,286	$41,853	$89,194
Earnings per common share:				
Income before cumulative effect of accounting change	$.02	$.54	$.73	$1.53
Cumulative effect of accounting change, net of tax	-	-	.04	.08
Net income per common share	$.02	$.54	$.69	$1.45
Earnings per common share - assuming dilution:				
Income before cumulative effect of accounting change	$.02	$.54	$.73	$1.52
Cumulative effect of accounting change, net of tax	-	-	.04	.08
Net income per common share - assuming dilution	$.02	$.54	$.69	$1.44
Cash dividends per share	$-	$.14	$-	$.42

See Accompanying Notes to Condensed Consolidated Financial Statements.

UNIFI, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended	
	March 28, 1999	March 29, 1998
	(Amounts in Thousands)	
Cash and cash equivalents provided by operating activities	$174,651	$134,957
Investing activities:		
Capital expenditures	(98,279)	(206,984)
Acquisitions	-	(25,776)
Investments in unconsolidated equity affiliates	(10,000)	(35,152)
Sale of capital assets	726	2,412
Other	(395)	(1,060)
Net investing activities	(107,948)	(266,560)
Financing activities:		
Borrowing of long-term debt	43,387	430,503
Repayment of long-term debt	(45,090)	(252,386)
Issuance of Company common stock	641	1,952
Stock option tax benefit	-	1,443
Purchase and retirement of Company common stock	(32,483)	(20,187)
Cash dividends paid	-	(25,692)
Distributions to minority interest shareholders	(6,000)	-
Other	367	(7)
Net financing activities	(39,178)	135,626
Currency translation adjustment	(971)	(952)
Net increase (decrease) in cash and cash equivalents	26,554	3,071
Cash and cash equivalents - beginning	8,372	9,514
Cash and cash equivalents - ending	$34,926	$12,585

See Accompanying Notes to Condensed Consolidated Financial Statements.

UNIFI, INC.
Notes to Condensed Consolidated Financial Statements

(a) Basis of Presentation

The information furnished is unaudited and reflects all adjustments which are, in the opinion of management, necessary to present fairly the financial position at March 28, 1999, and the results of operations and cash flows for the periods ended March 28, 1999, and March 29, 1998. Such adjustments consisted of normal recurring items in the current year except for the cumulative effect of accounting change recorded in the first fiscal quarter as described further in Note (e). Interim results are not necessarily indicative of results for a full year. It is suggested that the condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K. The Company has reclassified the presentation of certain prior year information to conform with the current presentation format.

(b) Income Taxes

Deferred income taxes have been provided for the temporary differences between financial statement carrying amounts and tax basis of existing assets and liabilities.

The difference between the statutory federal income tax rate and the effective tax rate is primarily due to the realization of state and federal tax credits and the results of foreign subsidiaries which are taxed at rates below those of U.S. operations.

(c) Earnings per share

The following table sets forth the reconciliation of the numerators and denominators of the basic and diluted earnings per share computations (amounts in thousands):

	For the Quarters Ended		For the Nine Months Ended	
	March 28, 1999	March 29, 1998	March 28, 1999	March 29, 1998
Numerator:				
Income before cumulative effect of Accounting change	$1,093	$33,286	$44,621	$93,830
Cumulative effect of accounting change, net of tax	-	-	2,768	4,636
Net income	$1,093	$33,286	$41,853	$89,194

	For the Quarters Ended		For the Nine Months Ended	
	March 28, 1999	March 29, 1998	March 28, 1999	March 29, 1998
Denominator:				
Denominator for basic earnings per share - weighted average shares	60,218	61,577	60,851	61,231
Effect of dilutive securities:				
Stock options	-	438	2	572
Dilutive potential Common shares Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	60,218	62,015	60,853	61,803

(d) Comprehensive Income

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," (SFAS 130) which the Company adopted in the first quarter of fiscal 1999. This Statement has no impact on the Company's net income or shareholders' equity. SFAS 130 requires the reporting of comprehensive income and its components in complete general purpose financial statements as well as requires certain interim comprehensive income information be disclosed. Comprehensive income represents the change in net assets of a business during a period from non-owner sources. Such non-owner changes in net assets that are not included in net income include, among others, foreign currency translation adjustments, unrealized gains and losses on available-for-sale securities and certain minimum pension liabilities. Prior year statements have been reclassified to conform to SFAS 130.

Comprehensive income (loss) amounted to ($7.4) million for the third quarter of fiscal 1999 and $27.8 million for the third quarter of fiscal 1998, and was comprised of net income and foreign currency translation adjustments. For the respective year-to-date periods, comprehensive income totaled $38.9 million and $80.0 million and was comprised of net income and foreign currency translation adjustments. The Company does not provide income taxes on the impact of currency translations as earnings from foreign subsidiaries are deemed to be permanently invested.

(e) Cumulative Effect of Accounting Change

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," (SOP 98-5) which requires start-up costs, as defined, to be expensed as incurred. In accordance with this SOP, any

previously capitalized start-up costs are required to be written-off as a cumulative effect of a change in accounting principle. The Company, upon adoption of this SOP in the first quarter of fiscal 1999, has written off the unamortized balance of such previously capitalized start-up costs as of June 29, 1998, of $4.5 million ($2.8 million after tax) or $.04 per diluted share as a cumulative catch-up adjustment.

(f) Recent Accounting Pronouncements

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," (SFAS 131) which is required to be adopted in the fourth quarter of fiscal 1999. SFAS 131 establishes standards for public companies for the reporting of financial information from operating segments in annual and interim financial statements as well as establishes standards for related disclosures about products and services, geographic areas and major customers. Operating segments are defined in SFAS 131 as components of an enterprise about which separate financial information is available to the chief operating decision maker for purposes of assessing performance and allocating resources. The adoption of SFAS 131 will not affect consolidated results of operations or financial position. The Company, however, anticipates that the adoption of this standard will include disclosures segregated by its two primary product offerings, polyester and nylon yarns. This presentation is consistent with the operating and reporting structure the Company's chief operating decision maker utilizes to assess performance and allocate resources.

In March 1998, the AICPA issued SOP 98-1, "Accounting for the Cost of Computer Software Developed for or Obtained for Internal-Use," (SOP 98-1). This SOP is effective for the Company in the first quarter of fiscal year 2000 if not previously adopted. SOP 98-1 will require the capitalization of certain costs incurred after the date of adoption in connection with developing or obtaining software for internal use. The Company currently expenses certain of these internal costs when incurred. The Company has not yet assessed what the impact of the SOP will be on the Company's future earnings or financial position. However, as discussed in "Year 2000 Compliance Status" located in Management's Discussion and Analysis of Financial Condition and Results of Operations, the Company is actively implementing an enterprise-wide software solution that is scheduled to be substantially completed by its current fiscal year ending June 27, 1999. Consequently, remaining costs associated with obtaining and modifying this system are not anticipated to be material to the Company's results of operations or financial position after the date of adoption of this SOP.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) which the Company is required to adopt in fiscal year 2000. SFAS 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. SFAS 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the

hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company has not yet determined what the effect of Statement 133 will be on the earnings and financial position of the Company.

(g) Early Retirement and Termination Charge

In the current quarter, the Company recognized a $14.8 million charge associated with the early retirement and termination of 114 salaried employees. The charge was recorded as a component of selling, general and administrative expenses in the amount of $8.2 million and cost of goods sold in the amount of $6.6 million. Substantially all employees were terminated effective March 31, 1999, with cash payments expected to be spread over a period not to exceed three years.

(h) Subsequent Event

The Company purchased, effective April 1, 1999, the polyester texturing and dyed yarn property, plant and equipment of Fairway Poliester, LTDA located in Brazil for $14.5 million.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is Management's discussion and analysis of certain significant factors that have affected the Company's operations and material changes in financial condition during the periods included in the accompanying Condensed Consolidated Financial Statements.

Results of Operations

Consolidated net sales decreased 14.8% in the quarter from $346.0 million to $294.8 million and decreased 7.4% for the year-to-date period from $1,018.9 million to $943.5 million. Unit volume for the quarter decreased 2.0% while average unit sales prices, based on product mix, declined 12.8%. For the year to date, unit volumes increased 1.5% while average unit sales prices declined 8.8%.

Domestically, polyester and nylon yarn net sales declined 14.7% for the quarter and 8.2% for the year to date due primarily to reductions in unit price, based on product mix. Our performance year over year continues to be negatively impacted by the ongoing effects of the Asian financial crisis as imports of yarns, fabric and apparel have kept pressures on polyester sales volumes, sales prices and gross margins. Our nylon operations continue to perform at reasonable gross margin levels and should improve as the nylon consolidation project nears completion. Internationally, sales in local currency decreased 22.8% for the quarter and 2.2% for the year to date due to both lower unit volume and sales prices.

Gross profit decreased 48.4% to $30.0 million for the quarter while gross margin (gross profit as a percentage of net sales) declined 6.6% to 10.2%. The decline in gross margin for the quarter was impacted by a $14.8 million charge recorded for the early retirement and termination of 114 salaried employees. Of the total expense recognized, $6.6 million was reflected as a cost of sales charge. Absent this charge, gross margin for the current quarter would have been 12.4%. The gross margin decline also reflects higher manufacturing and packaging costs, which were partially offset by lower average raw material costs. Fixed charges, such as depreciation, were also higher in both dollars and as a percentage of sales. For the year to date, gross profit decreased $38.8 million or 23.3% while gross margin declined 2.8% to 13.6%. The declines experienced for the year-to-date period are attributable to the same factors described in our quarterly comparison.

Selling, general and administrative expenses as a percentage of net sales increased from 3.3% in last year's quarter to 6.7% this quarter and from 3.1% in the prior year-to-date period to 4.5% in the current year. On a dollar basis, selling, general and administrative expense increased $8.4 million to $19.6 million for the quarter and $10.9 million to $42.6 million for the year to date. Higher selling, general and administrative expenses for the current year periods were impacted by the early retirement and termination of the 114 salaried employees discussed above. Of the total $14.8 million charge recorded in the current quarter, $8.2 million was charged to selling general and administrative expenses. Absent this charge, selling, general and

administration expenses as a percentage of net sales would have been 3.9%. This charge for early retirement and termination substantially accounts for the increases noted in both the quarterly and year-to-date comparisons over the prior year.

Interest expense increased $2.7 million to $7.0 million in the current quarter and $9.3 million to $20.1 million for the year to date. The increase in interest expense reflects higher levels of outstanding debt at higher average interest rates and the reduction of interest capitalized for major construction projects as certain significant projects in process in the prior year periods have been substantially completed. The average interest rate on outstanding debt at March 28, 1999, was 6.0%.

Equity in the earnings (losses) of our unconsolidated affiliates, Parkdale America, LLC (``the LLC'') and Micell Technologies, Inc., (Micell) amounted to ($2.2) million in the third quarter of fiscal 1999 and $4.4 million for the year to date compared with $5.9 million and $15.0 million for the corresponding quarter and year-to-date periods in fiscal 1998. The declines are primarily attributable to the reduced earnings from the LLC and higher start-up costs associated with Micell. The operating results of the LLC were impacted by pricing pressures on spun cotton products associated with weaker demand and excess capacity issues. In addition, a federal government cotton rebate program expired during the current year which resulted in higher raw material costs for the current year periods.

In the current fiscal quarter and for the year to date, the minority interest charge amounted to $(0.1) million and $4.7 million, respectively.

The effective income tax rate has increased from 32.2% to 38.0% in the current quarter. The current quarter increase reflects the reduction in earnings of our Irish Operations, which are taxed at a 10.0% effective rate, over the prior year resulting in an effective tax rate more reflective of our domestic operations. The difference between the statutory federal income tax rate and the effective tax rate is primarily due to the realization of state and federal tax credits and the results of foreign subsidiaries which are taxed at rates below those of U.S. operations.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," (SOP 98-5) which requires start-up costs, as defined, to be expensed as incurred. In accordance with this SOP, any previously capitalized start-up costs are required to be written-off as a cumulative effect of a change in accounting principle. The Company, upon adoption of this SOP in the first quarter of fiscal 1999, has written off the unamortized balance of such previously capitalized start-up costs as of June 29, 1998, of $4.5 million ($2.8 million after tax) or $.04 per diluted share as a cumulative catch-up adjustment.

As a result of the above, the Company realized during the current quarter net income of $1.1 million, or diluted earnings per share of $.02, compared to $33.3 million, or $.54 per share, for the corresponding quarter of the prior year. Net income and diluted earnings per share for the quarter, before the effect of the previously described $14.8 million retirement and termination charge, was $10.8 million and $.18 per share respectively. For the respective year-to-date periods, net income was $41.9 million, or $.69 per

diluted share, compared to $89.2 million, or $1.44 per diluted share. For the current year-to-date period, income before the cumulative effect of the accounting change was $44.6 million, or $.73 per diluted share, respectively. For the prior year-to-date period, income and diluted earnings per share before the cumulative effect of the accounting change were $93.8 million or $1.52 per diluted share, respectively.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," (SFAS 131) which is required to be adopted in the fourth quarter of fiscal 1999. SFAS 131 establishes standards for public companies for the reporting of financial information from operating segments in annual and interim financial statements as well as establishes standards for related disclosures about products and services, geographic areas and major customers. Operating segments are defined in SFAS 131 as components of an enterprise about which separate financial information is available to the chief operating decision maker for purposes of assessing performance and allocating resources. The adoption of SFAS 131 will not affect consolidated results of operations or financial position. The Company, however, anticipates that the adoption of this standard will include disclosures segregated by its two primary product offerings, polyester and nylon yarns. This presentation is consistent with the operating and reporting structure the Company's chief operating decision maker utilizes to assess performance and allocate resource.

In March 1998, the AICPA issued SOP 98-1, "Accounting for the Cost of Computer Software Developed for or Obtained for Internal-Use," (SOP 98-1). This SOP is effective for the Company in the first quarter of fiscal year 2000 if not previously adopted. SOP 98-1 will require the capitalization of certain costs incurred after the date of adoption in connection with developing or obtaining software for internal use. The Company currently expenses certain of these internal costs when incurred. The Company has not yet assessed what the impact of the SOP will be on the Company's future earnings or financial position. However, as discussed in ``Year 2000 Compliance Status' located in Management's Discussion and Analysis of Financial Condition and Results of Operations, the Company is actively implementing an enterprise-wide software solution that is scheduled to be substantially completed by its current fiscal year ending June 27, 1999. Consequently, remaining costs associated with obtaining and modifying this system are not anticipated to be material to the Company's results of operations or financial position after the date of adoption of this SOP.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, ``Accounting for Derivative Instruments and Hedging Activities,'(SFAS 133) which the Company is required to adopt in fiscal year 2000. SFAS 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. SFAS 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company has not yet

determined what the effect of Statement 133 will be on the earnings and financial position of the Company.

Liquidity and Capital Resources

Cash provided by operations continues to be a primary source of funds to finance operating needs and capital expenditures. Cash generated from operations was $174.7 million for the year-to-date period ended March 28, 1999, compared to $135.0 million for the prior year corresponding period. The primary sources of cash from operations, other than net income, were a decrease in accounts receivable of $51.8 million, a decrease in inventory of $9.1 million and non-cash adjustments aggregating $86.2 million. Depreciation and amortization of $65.5 million, the after-tax cumulative accounting change of $2.8 million, the deferred income tax provision of $12.7 million, and the undistributed losses of unconsolidated affiliates of $5.1 million, were the primary components of the non-cash adjustments to cash provided by operations. Offsetting these sources was a decrease in accounts payable and accruals of $14.7 million. All working capital changes have been adjusted to exclude the effects of currency translation.

Working capital levels are more than adequate to meet the operating requirements of the Company. The Company ended the current quarter with working capital of $193.1 million, which included cash and cash equivalents of $34.9 million.

The Company utilized $107.9 million for net investing activities and $39.2 million for net financing activities during the year-to-date period ended March 28, 1999. Significant expenditures during this period included $98.3 million for capacity expansions and upgrading of facilities, $10.0 for investments in equity affiliates, $32.5 million for the purchase and retirement of Company common stock and $6.0 million for distributions to minority interest shareholders. The Company expended $1.7 million for net payments under its long-term debt agreements.

At March 28, 1999, the Company has committed approximately $34.3 million for the purchase and upgrade of equipment and facilities, which is scheduled to be expended during the remainder of fiscal year 1999 and in fiscal year 2000. A significant component of these committed funds as well as a major component of the year-to-date capital expenditures is the continuing construction of a new nylon texturing and covering facility in Madison, North Carolina. This plant will consolidate the existing capacity at several locations, replacing older equipment with state-of-the-art technology, and will provide for additional capacity and expansion capabilities.

In the current quarter, the Company recognized a $14.8 million charge associated with the early retirement and termination of 114 salaried employees. The charge was recorded as a component of selling, general and administrative expenses in the amount of $8.2 million and cost of goods sold in the amount of $6.6 million. Substantially all employees were terminated effective March 31, 1999, with cash payments expected to be spread over a period not to exceed three years.

The Company purchased, effective April 1, 1999, the polyester texturing and dyed yarn property, plant and equipment of Fairway Poliester, LTDA located in Brazil for $14.5 million.

The Company periodically evaluates the carrying value of long-lived assets, including property, plant and equipment and intangibles to determine if impairment exists. If the sum of expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is required to be recognized for the difference between the fair value or the discounted future cash flows and the carrying amount of the asset. As discussed in the current and prior periods, the performance of our polyester operations continues to be negatively impacted by the ongoing effects of the Asian financial crisis and other foreign excess capacity issues that have given rise to increased imports of fiber, fabric and apparel which have reduced polyester sales volumes and gross margins. Additionally, in response to the pressures caused by the importation of fabric and apparel, many U.S. textile and apparel manufacturers are downsizing their domestic operations and moving production capacity offshore. Taken together, it is possible that the full amount of certain long-lived assets associated with the Company's polyester operations may not be ultimately recoverable. In light of these current trends, the company has undertaken an assessment of whether the projected future cash flows of these operations will be sufficient to recover the carrying amount of the related assets. The company expects to complete this analysis in the fourth quarter of fiscal 1999. If recent trends continue, forecasted cash flows may be insufficient to recover the total asset carrying value and accordingly the company would be required to recognize an impairment charge by reducing the carrying amount of the assets to estimated fair values. Such a charge, if required, may be material.

Effective July 16, 1998, the Board of Directors terminated the previously-established policy of paying cash dividends equal to approximately 30% of the Company's after-tax earnings for the previous year. In lieu of this cash dividend, the Board of Directors authorized management to utilize cash equal to the same 30% of previous year's earnings to purchase shares of the Company's stock as management deems advisable. The Board of Directors also increased the remaining authorization pursuant to a resolution originally adopted on October 21, 1993, to purchase 10 million shares of Unifi's common stock. During the current year, the Company has purchased 1.6 million shares. Accordingly, there remains an authorization to repurchase approximately 8.4 million shares. The Company will continue to operate its stock buy-back program from time to time as it deems appropriate, based on prevailing financial and market conditions.

Management believes the current financial position of the Company in connection with its operations and its access to debt and equity markets are sufficient to meet anticipated capital expenditure, strategic acquisition, working capital, Company common stock repurchases and other financial needs.

Year 2000 Compliance Status

The Company continues to actively address the business issues associated with the year 2000 that impact information technology systems and non-information technology systems (i.e., embedded technology) both internally and in

relation to our external customers, suppliers and other business associates. Factors involved in addressing such business issues include the evaluation, testing and implementation of the Company's enterprise-wide systems; evaluation, upgrading and certifying of non-information technology systems; assessing and testing significant customers' and vendors' compliance strategies and monitoring the status thereof (including electronic commerce with these companies); and, evaluating and monitoring the compliance plans of businesses in which the Company maintains investments in their operations.

The Company has created a team of professionals with the responsibility of addressing business issues associated with the year 2000. The Company does not believe any material exposures or contingencies exist with respect to its internal information systems as the installation of the remaining enterprises-wide software is anticipated to be completed in the necessary time frame. At present, the Company estimates it is approximately 80% complete with its enterprise-wide software implementation efforts and approximately 85% complete with respect to manufacturing plant floor applications. Additionally, upgrades are ongoing and are on schedule for certain applications where the Company has elected to postpone enterprise software conversion. Embedded technology devices are also being reviewed in conjunction with the manufacturing plant floor compliance procedures.

The Company is also dependent upon its customers' and vendors' compliance with the year 2000 problem and could face disruption of business in the event these efforts are unsuccessful. The Company has requested information on the year 2000 compliance plans and status from its significant vendors and equity affiliates and is presently not aware of any material exposures or contingencies. Face-to-face meetings have been conducted and will continue in order to plan and execute appropriate follow-up activities with its more critical suppliers. The Company has sent surveys to its major customers and is presently evaluating responses as they are submitted to plan and perform necessary follow-up activities. Conversion plans have been established for the Company's EDI customers and vendors and procedures have begun. Efforts are underway to convert the remaining customers in the next fiscal quarter. The Company will continue its efforts to gather information from businesses with whom it conducts business. However, such information is subject to accurate and voluntary communication. Consequently, the Company cannot predict the likelihood or impact on its business resulting from noncompliance by such parties.

Although the Company believes its business critical systems will be compliant by the end of the current fiscal year, there can be no assurances that all non-compliant systems will be identified or that all significant suppliers or customers will be year 2000 capable. A worst-case scenario could include interruption in the procurement of necessary materials or the disruption in manufacturing or information systems. Such events would adversely impact the distribution of product, timelines and accuracy of record-keeping and collection of revenue among other consequences which could cause a material impact on the Company's results of operation and financial position.

The Company has begun to develop contingency plans and recovery procedures to deal with potential problems associated with failures in its own computer systems as well as disruptions caused by system failures (or further dependencies) of its critical suppliers. The Company anticipates finalizing

these plans by the end of its current fiscal year. These plans include, among others, the modification and upgrading of necessary business systems for which the enterprise-wide system implementation efforts are not certain.

Costs incurred in the Company's year 2000 compliance efforts are being expensed as incurred. Anticipated expenditures related to year 2000 compliance readiness, in addition to those associated with the enterprise-wide software implementation, are expected to be approximately $0.5-$1.0 million for the fiscal year ending June 27, 1999.

Euro Conversion

The Company conducts business in multiple currencies, including the currencies of various European countries in the European Union which began participating in the single European currency by adopting the Euro as their common currency as of January 1, 1999. Additionally, the functional currency of our Irish operation and several sales office locations will change before January 1, 2002, from their historical currencies to the Euro. During the period January 1, 1999, to January 1, 2002, the existing currencies of the member countries will remain legal tender and customers and vendors of the Company may continue to use these currencies when conducting business. Currency rates during this period, however, will no longer be computed from one legacy currency to another but instead will first be converted into the Euro. The Company continues to evaluate the Euro conversion and the impact on its business, both strategically and operationally. At this time, the conversion to the Euro has not had, nor is expected to have, a material adverse effect on the financial condition or results of operations of the Company.

Forward Looking Statements

Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this quarterly report contain forward-looking statements within the meaning of federal security laws about the Company's financial condition and results of operations that are based on management's current expectations, estimates and projections about the markets in which the Company operates, management's beliefs and assumptions made by management. Words such as "expects," "anticipates," "believes," "estimates," variations of such words and other similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's judgment only as of the date hereof. The Company undertakes no obligation to update publicly any of these forward-looking statements to reflect new information, future events or otherwise.

Factors that may cause actual outcome and results to differ materially from those expressed in, or implied by, these forward-looking statements include, but are not necessarily limited to, availability, sourcing and pricing of raw materials, pressures on sales prices and volumes due to competition and

economic conditions, reliance on and financial viability of significant customers, technological advancements, employee relations, changes in construction spending and capital equipment expenditures (including those related to unforeseen acquisition opportunities), the timely completion of construction and expansion projects planned or in process, continued availability of financial resources through financing arrangements and operations, negotiations of new or modifications of existing contracts for asset management and for property and equipment construction and acquisition, regulations governing tax laws, other governmental and authoritative bodies' policies and legislation, the continuation and magnitude of the Company's common stock repurchase program and proceeds received from the sale of assets held for disposal. In addition to these representative factors, forward-looking statements could be impacted by general domestic and international economic and industry conditions in the markets where the Company competes, such as changes in currency exchange rates, interest and inflation rates, recession and other economic and political factors over which the Company has no control.

Part II. Other Information

Item 5. Other Information

Effective 5:00 o'clock P.M. on January 31, 1999, William T. Kretzer resigned as a member of the Company's Board of Directors, as well as the Company's President and Chief Executive Officer. Subsequently, Mr. Kretzer died on April 23, 1999. Mr. Kretzer did not resign as a Director of Company because of disagreements with the Company on any matters relating to the Company's operations, policies or practices. A successor director has not yet been elected.

Item 6. Exhibits and Reports on Form 8-K

(27) Financial Data Schedule

(b) No reports on Form 8-K have been filed during the quarter ended March 28, 1999

Signatures

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

UNIFI, INC.

Date: May 12, 1999

WILLIS C. MOORE, III
Willis C. Moore, III
Senior-Vice President and Chief Financial Officer (Mr. Moore is the Principal Financial and Accounting Officer and has been duly authorized to sign on behalf of the Registrant.)

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The schedule contains summary financial information extracted the Company's Quarterly Report for the nine months period ended March 28, 1999, and is qualified in its entirety by reference to such financial statements.

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9-MOS
JUN-27-1999
MAR-28-1999
$34,926
$0
$176,361
$9,202
$127,779
$331,000
$1,208,030
$528,740
$1,315,731
$137,929
$443,363
$0
$0
$6,003
$637,266
$1,315,731
$943,474
$943,474
$815,567
$815,567
$0
$5,075
$20,122
$65,319
$20,698
$44,621
$0
$0
$2,768
$41,853
$.69
$.69

Note 1: Other stockholders Equity of $637,266 is comprised of retained Earnings of $650,752 and Accumulated Other Comprehensive Loss of $(13,486).

Note 2: Pursuant to FASB 128, "Earnings per share" which the Company adopted in the prior fiscal year, the Company changed its method of calculating earnings per share and restated all prior periods. Under the new requirements for calculating basic earnings per share, the dilutive effect of stock options are excluded. Basic earnings per share for the current period in the above schedule, has been calculated to conform with the new pronouncement.