

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 June 27, 1999 - Commission File Number 1-10542

UNIFI, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

New York

11-2165495

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER IDENTIFICATION NO.)

7201 West Friendly Avenue
Greensboro, North Carolina

27410

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

(336) 294-4410

(REGISTRANT'S TELEPHONE NO., INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value \$.10 per share	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark 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. []

Aggregate market value of the voting stock held by non-affiliated of the registrant as of August 13, 1999 based on a closing price of \$14.8125 per share: \$865,598,433

Number of shares outstanding as of August 13, 1999: 59,548,652

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the Annual Meeting of the Shareholders of Unifi, Inc., to be held on October 21, 1999, are incorporated by reference into Part III.

Exhibits, Financial Statement Schedules and Reports on Form 8-K index is located on pages 32 through 34.

PART I

ITEM 1. BUSINESS

Unifi, Inc., a New York corporation formed in 1969, together with its subsidiaries, hereinafter set forth, (the "Company" or "Unifi"), is one of the largest and most diversified producers and processors of textile yarns in the world. The Company is primarily engaged in the processing of synthetic yarns in two primary business segments, polyester and nylon. The polyester segment is comprised of textured, dyed, twisted and beamed yarns with sales to knitters and weavers that produce fabrics for the apparel, automotive and furniture upholstery, home furnishings, industrial and other end use markets. The nylon segment is comprised of textured nylon and covered spandex products with sales to knitters and weavers that produce fabrics for the apparel, hosiery, socks and other end use markets. See footnote to the Consolidated Financial Statements ("Footnote") 2 ("Acquisitions") on page 20 and Footnote 11 ("Investment in Unconsolidated Affiliates") on pages 27 and 28 of this Report for information concerning recent mergers, acquisitions and consolidations of the Company's business, which is incorporated herein by reference.

Texturing polyester and nylon filament fiber involves the processing of partially oriented yarn ("POY"), which is either raw polyester or nylon filament fiber purchased from chemical manufacturers, to give it greater bulk, strength, stretch, consistent dyeability and a softer feel, thereby making it suitable for use in knitting and weaving of fabrics. The texturing process involves the use of high-speed machines to draw, heat and twist the POY to produce yarn having various physical characteristics, depending on its ultimate end use.

During the fourth quarter of fiscal year 1999, the Company formed Unifi Technology Group, LLC ("UTG"), to provide consulting services focused on integrated manufacturing, factory automation and electronic commerce solutions to other domestic manufacturers. Effective June 1, 1999, UTG acquired the assets of Cimtec, Inc. ("Cimtec"), a manufacturing automation solutions provider, for \$10.5 million. Subsequently, a five-percent interest in the new entity was sold to certain former Cimtec shareholders. See Footnote 2 ("Acquisitions") on page 20 of this Report for additional information on UTG.

See the information included under "Year 2000 Compliance Status" under Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 11 and 12 of this Report.

SOURCES AND AVAILABILITY OF RAW MATERIALS

The primary suppliers of POY to the Company's polyester segment are E. I. DuPont de Nemours and Company ("Dupont"), Nanya Plastics Corp. of America ("Nanya"), Kosa (formerly Hoechst Celanese Corporation), Wellman Industries, Reliance Industries, LTD. and P.T. Indorama Synthetics TBK, with the majority of the Company's polyester POY being supplied by Dupont. In addition, the Company has polyester POY manufacturing facilities in Ireland and Yadkinville, North Carolina (which provides approximately 35% of its total domestic polyester POY supply needs). The production of POY is comprised of two primary processes, polymerisation (performed in Ireland only) and spinning (performed in both Ireland and Yadkinville). The polymerisation process is the production of polymer by a chemical reaction involving terephthalic acid and ethylene glycol, which are combined to form chip. The spinning process involves the extrusion and melting of chip to form molten polymer. The molten polymer is then extruded through spinnerettes to form continuous multi-filament raw yarn (POY). Substantially all of the raw materials for such manufactured POY is supplied by Nanya for domestic production and by Dupont and Bayer AG for our Irish operation. The primary suppliers of POY to the Company's nylon segment are DuPont and Cookson Fibers, Inc., with the majority of the Company's nylon POY being supplied by DuPont.

Although the Company is heavily dependent upon a limited number of suppliers, the Company has not had and does not anticipate any material difficulty in obtaining its raw POY or raw materials used to manufacture polyester POY.

PATENTS AND LICENSES: The Company currently has several patents and registered trademarks, none of which it considers material to its business as a whole.

CUSTOMERS: The Company, in fiscal year ended June 27, 1999, sold its polyester yarns to approximately 1,150 customers and its nylon yarns to approximately 400 customers, no one customer's purchases exceeded 10% of net sales for the polyester segment during said period, while one customer comprised 19.5% of net sales for the

nylon segment for this time period. The Company does not believe that either its polyester segment or its nylon segment is dependent on any one customer.

BACKLOG: The Company, other than in connection with certain foreign sales and for textured yarns that are package dyed according to customers' specifications, does not manufacture to order. The Company's products can be used in many ways and can be thought of in terms of a commodity subject to the laws of supply and demand and, therefore, does not have what is considered a backlog of orders. In addition, the Company does not consider its products to be seasonal ones.

COMPETITIVE CONDITIONS: The textile industry in which the Company currently operates is keenly competitive. The Company processes and sells high-volume commodity products, pricing is highly competitive with product quality and customer service being essential for differentiating the competitors within the industry. Product quality insures manufacturing efficiencies for the customer. The Company's polyester and nylon yarns compete in a worldwide market with a number of other foreign and domestic producers of such yarns. In the sale of polyester filament yarns, major domestic competitors are Dillon Yarn Company, Inc., Spectrum Dyed Yarns, Inc. and Milliken & Company and in the sale of nylon yarns major domestic competitors are Jefferson Mills, Inc. and Worldtex, Inc. Additionally, there are numerous foreign competitors that sell polyester and nylon yarns in the United States.

RESEARCH AND DEVELOPMENT: The estimated amount spent during each of the last three fiscal years on Company-sponsored and Customer-sponsored research and development activities is considered immaterial.

COMPLIANCE WITH CERTAIN GOVERNMENT REGULATIONS: Management of the Company believes that the operation of the Company's production facilities and the disposal of waste materials are substantially in compliance with applicable laws and regulations.

EMPLOYEES: The number of full-time employees of the Company is approximately 6,250.

FINANCIAL INFORMATION ABOUT SEGMENTS: See the information included in Footnote 9 ("Business Segments, Foreign Operations and Concentrations of Credit Risk") on Page 24 through Page 26 of this Report for the Financial Information About Segments required by Item 101 of Regulation S-K.

ITEM 2. PROPERTIES

The Company currently maintains a total of 20 manufacturing and warehousing facilities, one central distribution center and one recycling center in North Carolina; one manufacturing and related warehousing facility in Staunton, Virginia; one central distribution center in Fort Payne, Alabama; four manufacturing operations in Letterkenny, County of Donegal, Republic of Ireland; two warehousing locations in Carrickfergus, Ireland; two manufacturing and one office building in Brazil and one manufacturing and administration facility in Bogota, Colombia. All of these facilities, which contain approximately 8,166,153 square feet of floor space, with the exception of one plant facility leased from NationsBank Leasing and R.E. Corp. pursuant to a Sales-leaseback Agreement entered on May 20, 1997, as amended, two warehouses in Carrickfergus, Ireland, and one plant and the office in Brazil are owned in fee; and management believes they are in good condition, well maintained, and are suitable and adequate for present production.

The polyester segment of the Company's business uses 17 manufacturing, six warehousing and one dedicated office totaling 5.3 million square feet. The nylon segment of the Company's business uses utilizes six manufacturing and four warehousing facilities aggregating 2.7 million square feet.

UTG leases six office locations in several states from which it conducts business.

The Company leases sales offices and/or apartments in New York, Coleshill, England, Oberkotzau, Germany, and Lyon, France, and has a representative office in Tokyo, Japan.

The Company also leases its corporate headquarters building at 7201 West Friendly Avenue, Greensboro, North Carolina, which consists of a building containing approximately 121,125 square feet located on a tract of land containing approximately 8.99 acres. This property is leased from Merrill Lynch Trust Company of North Carolina, Trustee under the Unifi, Inc. Profit Sharing Plan and Trust, and Wachovia Bank & Trust Company, N.A., Independent Trustee. On May 20, 1996, the Company exercised its option to extend the term of the lease on this property for five years, through March 13, 2002. Reference is made to a copy of the lease agreement

attached to the Registrant's Annual Report on Form 10-K as Exhibit (10d) for the fiscal year ended June 27, 1987, which is by reference incorporated herein.

See the related information included in Footnote 8 ("Leases and Commitments") on Page 24 of this Report.

ITEM 3. LEGAL PROCEEDINGS

The Company is not currently involved in any litigation which is considered material, as that term is used in Item 103 of Regulation S-K.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter for the fiscal year ended June 27, 1999.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is listed for trading on the New York Stock Exchange. The following table sets forth the range of high and low sales prices of the Unifi Common Stock as reported on the NYSE Composite Tape and the regular cash dividends per share declared by Unifi during the periods indicated.

On July 16, 1998, the Company announced its intention to discontinue the payment of cash dividends and utilize the cash to purchase shares of the Company's common stock. Accordingly, effective July 16, 1998, the Board of Directors of the Company terminated the previously established policy of paying cash dividends equal to approximately 30% of the Company's after tax earnings of the previous fiscal year.

As of August 13, 1999, there were approximately 849 holders of record of the Company's common stock.

	HIGH	LOW	DIVIDENDS
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Fiscal year 1997:			
First quarter ended September 29, 1996 ..	\$ 28.88	\$ 26.00	\$.11
Second quarter ended December 29, 1996 ..	\$ 33.13	\$ 26.63	\$.11
Third quarter ended March 30, 1997	\$ 33.88	\$ 30.13	\$.11
Fourth quarter ended June 29, 1997	\$ 36.88	\$ 29.63	\$.11
Fiscal year 1998:			
First quarter ended September 28, 1997 ..	\$ 43.63	\$ 35.06	\$.14
Second quarter ended December 28, 1997 ..	\$ 42.25	\$ 36.38	\$.14
Third quarter ended March 29, 1998	\$ 42.13	\$ 33.00	\$.14
Fourth quarter ended June 28, 1998	\$ 39.56	\$ 34.19	\$.14
Fiscal year 1999:			
First quarter ended September 27, 1998 ..	\$ 34.25	\$ 17.13	\$ --
Second quarter ended December 27, 1998 ..	\$ 20.06	\$ 11.94	\$ --
Third quarter ended March 28, 1999	\$ 19.56	\$ 10.69	\$ --
Fourth quarter ended June 27, 1999	\$ 18.56	\$ 11.56	\$ --

ITEM 6. SELECTED FINANCIAL DATA

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)	JUNE 27, 1999 (52 WEEKS)	JUNE 28, 1998 (52 WEEKS)	JUNE 29, 1997 (52 WEEKS)	JUNE 30, 1996 (53 WEEKS)	JUNE 25, 1995 (52 WEEKS)
Summary of Earnings:					
Net sales	\$1,251,160	\$1,377,609	\$1,704,926	\$1,603,280	\$1,554,557
Cost of sales	1,076,610	1,149,838	1,473,667	1,407,608	1,330,410
Gross profit	174,550	227,771	231,259	195,672	224,147
Selling, general and administrative expense	55,338	43,277	46,229	45,084	43,116
Interest expense	27,459	16,598	11,749	14,593	15,452
Interest income	(2,399)	(1,869)	(2,219)	(6,757)	(10,372)
Other (income) expense	1,569	389	819	(4,390)	(9,659)
Equity in (earnings) losses of unconsolidated affiliates	(4,214)	(23,030)	399	--	--
Minority interest	9,401	723	--	--	--
Non-recurring charge	--	--	--	23,826	--
Income from continuing operations before income taxes and other items listed below					
Provision for income taxes	87,396	191,683	174,282	123,316	185,610
	28,369	62,782	58,617	44,939	69,439
Income before extraordinary item and cumulative effect of accounting change					
	59,027	128,901	115,665	78,377	116,171
Extraordinary item, net of tax					
Cumulative effect of accounting change, net of tax	--	--	--	5,898	--
	2,768	4,636	--	--	--
Net income					
	56,259	124,265	115,665	72,479	116,171
Per Share of Common Stock:					
Income before extraordinary item and cumulative effect of accounting change (diluted)					
Extraordinary item (diluted)	\$.97	\$ 2.08	\$ 1.81	\$ 1.18	\$ 1.62
Cumulative effect of accounting change (diluted)	--	--	--	(.09)	--
	(.04)	(.07)	--	--	--
Net income (diluted) .....	.93	2.01	1.81	1.09	1.62
Cash dividends	--	.56	.44	.52	.40
Financial Data:					
Working capital	\$ 216,897	\$ 209,878	\$ 216,145	\$ 196,222	\$ 333,357
Gross property, plant and equipment	1,231,013	1,145,622	1,147,148	1,027,128	910,383
Total assets	1,365,840	1,333,814	1,018,703	951,084	1,040,902
Long-term debt and other obligations	478,898	458,977	255,799	170,000	230,000
Shareholders' equity	646,138	636,197	548,531	583,206	603,502

Fiscal year 1995 through 1997 amounts include the spun cotton yarn operations that were contributed to Parkdale America, LLC on June 30, 1997.

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

FISCAL 1999

Following is a summary of operating income by segment for fiscal years 1999 and 1998, as reported regularly to the Company's management:

(AMOUNTS IN THOUSANDS)	POLYESTER	NYLON	ALL OTHER	CONSOLIDATED
Fiscal 1999				
Net sales	\$822,763	\$449,009	\$ (20,612)	\$1,251,160
Cost of sales	719,535	384,772	(27,697)	1,076,610
Selling, general and administrative	38,518	16,271	549	55,338
Operating income	\$ 64,710	\$ 47,966	\$ 6,536	\$ 119,212
Fiscal 1998				
Net sales	\$939,780	\$470,994	\$ (33,165)	\$1,377,609
Cost of sales	797,613	387,428	(35,203)	1,149,838
Selling, general and administrative	30,223	13,054	--	43,277
Operating income	\$111,944	\$ 70,512	\$ 2,038	\$ 184,494

As described in Note 9 to the consolidated financial statements, all "other" revenues and expenses, required to reconcile the polyester and nylon operating segments to consolidated results, are comprised primarily of intersegment sales and cost of sales eliminations and various expenses reported internally at a consolidated level. In addition, fiscal 1999 "other" revenue and expenses contains activity from the June 1, 1999 acquisition of Cimtec (see Note 2 to the consolidated financial statements).

POLYESTER OPERATIONS

In fiscal 1999, polyester net sales decreased \$117.0 million, or 12.5% compared to fiscal 1998. Year-over-year performance continues to be negatively impacted by the continuing effects of Asian imports of yarns, fabric and apparel, which have kept sales volumes, sales pricing and gross margins under pressure both domestically and internationally. The fiscal 1999 over 1998 volume increase of 1.0% was aided by twelve months of sales volume generated by the business venture with Burlington Industries consummated May 29, 1998 (see Note 13 to the consolidated financial statements). Average unit sales prices declined 13.5% during fiscal 1999. In addition to the decline in average unit sales prices created by market pressures, the pricing decline was also influenced by decreasing fiber costs and the strengthening of the U.S. dollar. As described in Note 10 to the consolidated financial statements, the Company utilizes forward contracts to hedge exposure for sales in foreign currencies based on specific sales orders with customers or for anticipated sales activity for a future time period. Additionally, currency exchange rate risks are mitigated by purchases and borrowings in local currencies. The Company also enters currency forward contracts for committed equipment and inventory purchases. The Company does not enter into derivative financial instruments for trading purposes.

Polyester gross profit decreased \$38.9 million during fiscal 1999 and gross margins declined from 15.1% in 1998 to 12.5% in 1999. Gross profit for fiscal 1999 was reduced by a \$4.0 million charge resulting from employee acceptance of an early retirement plan. The remainder of the decline in gross profit and gross margin can be attributed to the aforementioned pressures on sales prices caused by imports.

Selling, general and administrative expense allocated to the polyester segment increased \$8.3 million in fiscal 1999. Of this increase, \$5.7 million related to a charge resulting from employee acceptance of an early retirement program offered in fiscal 1999. Selling, general and administrative expense, as a percentage of polyester net sales, increased from 3.2% in fiscal 1998 to 4.7% in fiscal 1999.

NYLON OPERATIONS

In fiscal 1999, nylon net sales decreased \$22.0 million, or 4.7% compared to fiscal 1998. Unit volumes for fiscal 1999 decreased by 4.8%, while average sales prices, based on product mix, increased 0.1%. The reduction in sales volume is primarily attributable to the continuing decline of the ladies hosiery market. The sales price increase was impacted by a minor shift in domestic product mix to lower volume, higher priced products.

Nylon gross profit decreased \$19.3 million and gross margin decreased from 17.7% in 1998 to 14.3% in 1999, due mainly to the previously noted decrease in net sales and the corresponding lack of volume to cover existing fixed manufacturing costs and depreciation. In addition, depreciation increased \$8.0 million in fiscal 1999 over 1998 resulting from the completion in fiscal 1999 of a nylon texturing and covering facility, constructed to replace older equipment and consolidate several of the Company's older nylon facilities. Gross profit was also reduced by a \$2.6 million charge resulting from employee acceptance of an early retirement plan offered in fiscal 1999.

Selling, general and administrative expense allocated to the nylon segment increased \$3.2 million in fiscal 1999. Of this increase, \$2.5 million related to a charge resulting from employee acceptance of an early retirement program offered in fiscal 1999. Selling, general and administrative expense, as a percentage of nylon net sales, increased from 2.8% in fiscal 1998 to 3.6% in fiscal 1999.

CONSOLIDATED OPERATIONS

Interest expense increased \$10.9 million, from \$16.6 million in fiscal 1998 to \$27.5 million in fiscal 1999. The increase in interest expense reflects higher levels of debt outstanding at higher average interest rates during fiscal 1999 and a \$4.8 million reduction in capitalized interest for major construction projects, as certain significant projects in process during the prior year period have been completed. The weighted average interest rate on debt outstanding at June 27, 1999 was 5.94%.

Interest income improved by \$530 thousand from 1998 to 1999 primarily as a result of higher levels of invested funds. Other expense increased from \$389 thousand to \$1.6 million from 1998 to 1999.

Earnings from our equity affiliates, Parkdale America, LLC. (the "LLC") and Micell Technologies, Inc. ("Micell"), net of related amortization, totaled \$4.2 million in fiscal 1999 compared with \$23.0 million in fiscal 1998. The decline in earnings is primarily attributable to the reduced earnings of the LLC and higher start-up expenses at Micell. The LLC's operations were negatively impacted by excess capacity in the markets and reduced sales volumes as imported apparel eroded their customer's business.

Effective May 29, 1999, the Company formed a limited liability company (the "Partnership") with Burlington Industries, Inc. ("Burlington") to manufacture and market natural textured polyester. The Company has an 85.42% ownership interest in the Partnership and Burlington has 14.58%. However, for the first five years of the Partnership, Burlington is entitled to receive the first \$9.4 million of earnings. Subsequent to this five year period, earnings are to be allocated based on ownership percentages. Burlington's share of the earnings of the Partnership are reflected as minority interest and amounted to \$9.4 million in fiscal 1999 and \$0.7 million in fiscal 1998.

The effective tax rate decreased from 32.8% in 1998 to 32.5% in 1999. The difference between the statutory and effective tax rate is primarily due to the realization of state tax credits associated with significant capital expenditures and the operating results of our Irish operations that are taxed at a 10.0% effective rate.

In the first quarter of fiscal 1999, the Company recognized a cumulative effect of an accounting change of \$4.5 million (\$2.8 million after tax) or \$.04 per diluted share as a result of changing its accounting policy regarding start-up costs. Pursuant to the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," any previously capitalized start-up costs were required to be written-off as a cumulative effect of an accounting change. Accordingly, the Company has written-off the unamortized balance of the previously capitalized start-up costs.

As a result of the above, the Company realized during the current year net income of \$56.3 million, or \$0.93 per diluted share, compared to \$124.3 million, or \$2.01 per diluted share for the prior fiscal year period. Before the previously described cumulative effect of an accounting change in the current year, earnings would have been \$59.0 million or \$0.97 per diluted share.

In June 1997, the Financial Accounting Standard Board ("FASB") issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," ("SFAS 130"). 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, which are not included in net income. Foreign currency translation adjustments presently represent the only component of comprehensive income for the Company. As of June 28, 1998, the Company adopted SFAS 130, Reporting Comprehensive Income. SFAS 130 establishes new rules for the reporting and display of comprehensive income and its components; however, the

adoption of this Statement had no impact on the Company's net income or shareholders' equity. Statement 130 requires unrealized gains or losses on the Company's available-for-sale securities and the foreign currency translation adjustments, which prior to adoption were reported separately in shareholders' equity, to be included in other comprehensive income. Prior year financial statements have been reclassified to conform to the requirements of SFAS 130.

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 the Company adopted in the fourth quarter of fiscal 1999. SFAS 131 establishes standards of reporting financial information from operating segments in annual and interim financial statements of public companies, 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 required segment reporting is detailed in Note 9 to the consolidated financial statements. The adoption of SFAS 131 had no effect on the consolidated results of operations or financial position.

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. 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. 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 substantially complete at 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 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") and in August 1999, the FASB issued Statement of Financial Accounting Standards No. 137, "An Amendment to SFAS 133," which delayed the effective date of SFAS 133 until the Company's fiscal year 2001. 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. For derivatives that are hedges, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged asset, liability, or firm commitment 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. Although the Company does not enter into derivative financial instruments for trading purposes, it has not yet determined what the effect of SFAS 133, for derivatives that are considered hedges, will be on its results of operations or financial position.

FISCAL 1998

Following is a summary of operating income by segment for fiscal years 1998 and 1997, as reported regularly to the Company's management:

(AMOUNTS IN THOUSANDS)	POLYESTER	NYLON	ALL OTHER	CONSOLIDATED
Fiscal 1998				
Net sales	\$939,780	\$470,994	\$ (33,165)	\$1,377,609
Cost of sales	797,613	387,428	(35,203)	1,149,838
Selling, general and administrative.	30,223	13,054	--	43,277
Operating income	\$111,944	\$ 70,512	\$ 2,038	\$ 184,494
	=====	=====	=====	=====
Fiscal 1997				
Net sales	\$967,201	\$469,954	\$ 267,771	\$1,704,926
Cost of sales	835,027	386,467	252,173	1,473,667
Selling, general and administrative.	25,464	11,845	8,920	46,229
Operating income	\$106,710	\$ 71,642	\$ 6,678	\$ 185,030
	=====	=====	=====	=====

As illustrated in Note 9 to the consolidated financial statements, all "other" revenues and expenses, required to reconcile the polyester and nylon operating segments to consolidated results, are comprised primarily of intersegment sales and cost of sales eliminations and various expenses reported internally at a consolidated level. In addition, fiscal 1997 contains activity related to the spinning of cotton and cotton blend fibers, which were contributed to Parkdale America on June 30, 1997 (see Note 11 to the consolidated financial statements).

POLYESTER OPERATIONS

Polyester net sales decreased \$27.4 million from fiscal year 1997 to 1998. Overall unit volume increased 1.5% during fiscal 1998. Average unit sales prices declined 4.3% during fiscal 1998 primarily due to export sales comprising a larger percentage of total fiscal 1998 sales as compared with fiscal 1997. Export unit prices were adversely affected in fiscal 1998 due to various factors including the strengthening of the U.S. dollar and increased competition. The stronger U.S. dollar also negatively impacted the translation of our Irish operation's sales in fiscal 1998 from the functional Irish punt currency to the U.S. dollar. Domestically, unit volumes declined in fiscal 1998 as a result of increased fiber, fabric and apparel imports. Unit volumes increased in the fourth quarter due, in part, to the sales generated by the formation of a limited liability company with Burlington Industries on May 29, 1998.

Sales from foreign operations are denominated in local currencies and are hedged in part by the purchase of raw materials and services in those same currencies. As described in Note 10 to the consolidated financial statements, currency exchange rate risks are mitigated by the utilization of foreign currency forward contracts and purchases in local currencies. The Company does not enter into derivative financial instruments for trading purposes.

Polyester gross margins improved from 13.7% in fiscal 1997 to 15.1% in the fiscal 1998. The increase in gross margin primarily reflects raw material cost reductions based on product mix, which were partially offset by higher direct and allocated indirect manufacturing costs as a percentage of net sales. The increase in allocated indirect manufacturing costs results from the lower consolidated sales base in fiscal 1998, in which to allocate indirect costs, as a result of the contribution of our spun cotton yarn operations at the beginning of the 1998 fiscal year.

Selling, general and administrative expense allocated to the polyester segment increased \$4.8 million from fiscal 1997 to 1998. As a percentage of net sales these costs increased from 2.6% in the prior fiscal year to 3.2% in the current year. The increase mainly reflects the lower consolidated sales base, in which to absorb allocated costs, as a result of the contribution of our spun cotton yarn operations at the beginning of the 1998 fiscal year.

NYLON OPERATIONS

Nylon net sales remained stable from the fiscal year 1997 to 1998 despite a 4.4% decline in unit volume. The volume decrease was minimized by the acquisition on November 14, 1997, of SI Holding Company (Spanco). The effect of the volume decrease was offset by a 4.4% increase in average unit sales prices.

Nylon gross margins were 17.7% in both fiscal 1998 and 1997. During fiscal 1998 nylon realized average unit raw material cost reductions based on product mix, which were offset by higher direct and allocated indirect manufacturing costs as a percentage of net sales. The increase in allocated indirect manufacturing costs results from the lower consolidated sales base in fiscal 1998, in which to allocate indirect costs, as a result of the contribution of our spun cotton yarn operations at the beginning of the 1998 fiscal year.

Selling, general and administrative expense allocated to the nylon segment increased \$1.2 million from fiscal 1997 to 1998. As a percentage of net sales these costs increased from 2.5% in fiscal 1997 to 2.8% in fiscal 1998. The increase mainly reflects the lower consolidated sales base, in which to absorb allocated costs, as a result of the contribution of our spun cotton yarn operations at the beginning of the 1998 fiscal year.

CONSOLIDATED OPERATIONS

Interest expense increased \$4.9 million, from \$11.7 million in 1997 to \$16.6 million in 1998. The increase is associated with both higher levels of debt outstanding during the current year and higher average interest rates during this period. In February 1998, the Company issued \$250.0 million of debt securities, the proceeds of which were used to repay a portion of the revolving credit facility. The coupon rate of the new securities is 6.50%. Debt

levels increased during the year as a result of capital expenditures, investments in equity affiliates, stock repurchases and an acquisition.

Interest income declined \$350 thousand from 1997 to 1998 primarily as a result of lower levels of invested funds. Other expense decreased from \$819 thousand to \$389 thousand from 1997 to 1998.

Earnings from our equity affiliates, net of related amortization, totaled \$23.0 million in the current year. The effective tax rate decreased from 33.6% in 1997 to 32.8% in 1998. The improvement in the effective tax rate is primarily due to the realization of state tax credits in the current year associated with significant capital expenditures and improved operating results of our Irish operations that are taxed at a 10.0% effective rate.

In the second quarter of fiscal 1998, the Company recognized a write-off of \$7.5 million (\$4.6 million after tax) or \$.07 per diluted share as a result of changing its accounting policy regarding business reengineering costs. Previously, substantially all direct external costs associated with installing a new computer software system were capitalized, including those costs related to business process reengineering. Pursuant to Emerging Issues Task Force 97-13 issued in November 1997, these costs were written off as a cumulative catch-up adjustment.

As a result of the above, the Company realized during fiscal 1998 net income of \$124.3 million, or \$2.01 per diluted share, compared to \$115.7 million or \$1.81 per diluted share for fiscal 1997. Before the cumulative effect of an accounting change in fiscal 1998, earnings would have been \$128.9 million or \$2.08 per diluted share.

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 \$209.8 million for fiscal 1999, compared to \$181.7 million for fiscal 1998. The primary sources of cash from operations, other than net income, were a decrease in accounts receivable of \$34.5 million, a decrease in inventory of \$16.3 million and non-cash adjustments aggregating \$103.0 million. Depreciation and amortization of \$89.9 million, the after-tax cumulative effect of an accounting change of \$2.8 million, the deferred income tax provision of \$4.6 million, and the distributions from unconsolidated equity affiliates in excess of earnings of \$5.3 million were the primary components of the non-cash adjustments. Offsetting these sources was a decrease in accounts payable and accruals of \$14.0 million. All working capital changes have been adjusted to exclude the effects of acquisitions and currency translation. Working capital levels are more than adequate to meet the operating requirements of the Company. The Company ended fiscal 1999 with working capital of \$216.9 million, which included cash and cash equivalents of \$44.4 million.

The Company utilized \$159.6 million for net investing activities and \$12.0 million for net financing activities during fiscal 1999. Significant expenditures during this period included \$118.8 million for capacity expansions and upgrading of facilities, \$27.1 million for acquisitions, \$10.0 million for investments in equity affiliates, \$39.3 million for the purchase and retirement of Company common stock and \$9.0 million for distributions to minority interest shareholders. The Company also utilized the net proceeds of \$35.4 million from its long-term debt agreements to finance these expenditures. The Company purchased, effective April 1, 1999, the polyester texturing and dyed yarn property, plant and equipment of Fairway Polyester, LTDA located in Brazil for \$16.6 million. The Company also acquired the assets of Cimtec Inc, a manufacturing solutions provider, effective June 1, 1999 for \$10.5 million. These acquisitions, which are not deemed significant to the Company's consolidated net assets or result of operations, were accounted for by the purchase method of accounting.

At June 27, 1999, the Company has committed approximately \$20.2 million for the purchase and upgrade of equipment and facilities during fiscal 2000.

In the third quarter of fiscal 1999, 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 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 continued to be negatively

impacted by the ongoing effects of Asian fiber, fabric and apparel imports 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. During the fourth quarter of fiscal 1999, the Company reviewed its projected future cash flows of the polyester division's long-lived assets and determined no impairment exists at this time.

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 in fiscal 1999 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 2.1 million shares for \$39.3 million. Accordingly, there remains an authorization to repurchase approximately 7.9 million shares. The Company will continue to operate its stock buy-back program, 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 95% complete with its enterprise-wide software implementation efforts and approximately 95% complete with respect to manufacturing plant floor applications implementations. Additionally, upgrades are ongoing and are on schedule for certain applications where the Company has elected to postpone enterprise software conversion. Testing of the respective applications is an on-going process, which will go on throughout the next quarter. 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 which 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, 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 substantially completed 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. 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, was \$765 thousand 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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

See the information included in Footnote 10 ("Derivative Financial Instruments and Fair Value of Financial Instruments") on Pages 26 and 27 of this Report.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's report of independent auditors and consolidated financial statements and related notes follow on subsequent pages of this Report.

REPORT OF INDEPENDENT AUDITORS

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF UNIFI, INC.

We have audited the accompanying consolidated balance sheets of Unifi, Inc. as of June 27, 1999, and June 28, 1998, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended June 27, 1999. Our audits also include the financial statement schedule listed in the Index at Item 14(a). 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 schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unifi, Inc. at June 27, 1999, and June 28, 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 27, 1999, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Greensboro, North Carolina
July 20, 1999

CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS)	JUNE 27, 1999	JUNE 28, 1998
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 44,433	\$ 8,372
Receivables	185,784	222,310
Inventories	129,917	137,201
Other current assets	2,015	1,308
Total current assets	362,149	369,191
Property, plant and equipment:		
Land	6,973	6,525
Buildings and air conditioning	241,852	206,559
Machinery and equipment	848,701	772,504
Other	133,487	160,034
1,231,013	1,145,622	
Less accumulated depreciation	541,275	497,042
689,738	648,580	
Investment in unconsolidated affiliates	207,142	212,448
Other noncurrent assets	106,811	103,595
<u>\$ 1,365,840</u>	<u>\$ 1,333,814</u>	
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 68,716	\$ 93,922
Accrued expenses	52,889	43,939
Income taxes payable	7,392	5,218
Current maturities of long-term debt and other current liabilities	16,255	16,234
Total current liabilities	145,252	159,313
Long-term debt and other liabilities	478,898	458,977
Deferred income taxes	78,369	62,970
Minority interests	17,183	16,357
Shareholders' equity:		
Common stock	5,955	6,163
Capital in excess of par value	13	22,454
Retained earnings	658,353	618,128
Accumulated other comprehensive loss	(18,183)	(10,548)
646,138	636,197	
<u>\$ 1,365,840</u>	<u>\$ 1,333,814</u>	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF INCOME

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)	JUNE 27, 1999	JUNE 28, 1998	JUNE 29, 1997
Net sales	\$ 1,251,160	\$ 1,377,609	\$ 1,704,926
Costs and expenses:			
Cost of sales	1,076,610	1,149,838	1,473,667
Selling, general and administrative expense	55,338	43,277	46,229
Interest expense	27,459	16,598	11,749
Interest income	(2,399)	(1,869)	(2,219)
Other expense	1,569	389	819
Equity in (earnings) losses of unconsolidated affiliates	(4,214)	(23,030)	399
Minority interest	9,401	723	--
	1,163,764	1,185,926	1,530,644
Income before income taxes and cumulative effect of accounting change	87,396	191,683	174,282
Provision for income taxes	28,369	62,782	58,617
Income before cumulative effect of accounting change	59,027	128,901	115,665
Cumulative effect of accounting change (net of applicable income taxes of \$1,696 for June 27, 1999 and \$2,902 for June 28, 1998)	2,768	4,636	--
Net income	\$ 56,259	\$ 124,265	\$ 115,665
Earnings per common share -- basic:			
Income before cumulative effect of accounting change	\$.97	\$ 2.10	\$ 1.83
Cumulative effect of accounting change	(.04)	(.07)	--
Net income per common share	\$.93	\$ 2.03	\$ 1.83
Earnings per common share -- assuming dilution:			
Income before cumulative effect of accounting change	\$.97	\$ 2.08	\$ 1.81
Cumulative effect of accounting change	(.04)	(.07)	--
Net income per common share	\$.93	\$ 2.01	\$ 1.81

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)	SHARES OUTSTANDING	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	ACCUMULATED COMPREHENSIVE INCOME/(LOSS)	TOTAL SHAREHOLDERS' EQUITY	COMPREHENSIVE INCOME NOTE 1
Balance June 30, 1996	64,831	\$ 6,483	\$ 62,255	\$ 512,253	\$ 2,215	\$ 583,206	\$ --
	=====	=====	=====	=====	=====	=====	=====
Purchase of stock	(3,901)	(390)	(64,786)	(55,824)	--	(121,000)	--
Options exercised	280	28	2,531	(1,404)	--	1,155	--
Stock option tax benefit	--	--	--	2,307	--	2,307	--
Cash dividends -- \$.44 per share	--	--	--	(27,898)	--	(27,898)	--
Currency translation adjustments	--	--	--	--	(4,904)	(4,904)	(4,904)
Net income	--	--	--	115,665	--	115,665	115,665
	-----	-----	-----	-----	-----	-----	-----
Balance June 29, 1997	61,210	6,121	--	545,099	(2,689)	548,531	110,761
	=====	=====	=====	=====	=====	=====	=====
Purchase of stock	(539)	(54)	(618)	(19,515)	--	(20,187)	--
Options exercised	402	40	2,154	--	--	2,194	--
Stock option tax benefit	--	--	--	2,599	--	2,599	--
Stock issued for acquisition	561	56	20,918	--	--	20,974	--
Cash dividends -- \$.56 per share	--	--	--	(34,320)	--	(34,320)	--
Currency translation adjustments	--	--	--	--	(7,859)	(7,859)	(7,859)
Net income	--	--	--	124,265	--	124,265	124,265
	-----	-----	-----	-----	-----	-----	-----
Balance June 28, 1998	61,634	6,163	22,454	618,128	(10,548)	636,197	116,406
	=====	=====	=====	=====	=====	=====	=====
Purchase of stock	(2,112)	(211)	(23,092)	(16,034)	--	(39,337)	--
Options exercised	26	3	651	--	--	654	--
Currency translation adjustments	--	--	--	--	(7,635)	(7,635)	(7,635)
Net income	--	--	--	56,259	--	56,259	56,259
	-----	-----	-----	-----	-----	-----	-----
Balance June 27, 1999	59,548	\$ 5,955	\$ 13	\$ 658,353	\$ (18,183)	\$ 646,138	\$ 48,624
	=====	=====	=====	=====	=====	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(AMOUNTS IN THOUSANDS)	JUNE 27, 1999	JUNE 28, 1998	JUNE 29, 1997
Cash and cash equivalents at beginning of year	\$ 8,372	\$ 9,514	\$ 24,473
Operating activities:			
Net income	56,259	124,265	115,665
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change (net of applicable income taxes)	2,768	4,636	--
(Earnings) losses of unconsolidated equity affiliates, net of distributions	5,287	(15,282)	399
Depreciation	82,993	65,033	85,533
Amortization	6,883	4,677	2,366
Deferred income taxes	4,641	12,201	17,157
Other	415	(350)	(85)
Changes in assets and liabilities, excluding effects of acquisitions and foreign currency adjustments:			
Receivables	34,475	9,628	(26,441)
Inventories	16,320	(793)	(10,032)
Other current assets	(948)	1,556	(462)
Payables and accruals	(13,959)	(25,213)	9,260
Income taxes	14,697	1,329	(9,524)
Net -- operating activities	209,831	181,687	183,836
Investing activities:			
Capital expenditures	(118,846)	(250,064)	(143,176)
Acquisitions	(27,112)	(25,776)	--
Investments in unconsolidated equity affiliates	(10,000)	(39,492)	(2,250)
Sale of capital assets	847	2,428	3,046
Other	(4,508)	(2,755)	768
Net -- investing activities	(159,619)	(315,659)	(141,612)
Financing activities:			
Borrowing of long-term debt	97,000	440,273	187,500
Repayment of long-term debt	(61,596)	(252,844)	(100,513)
Issuance of Company stock	654	2,194	3,462
Stock option tax benefit	--	2,599	2,307
Purchase and retirement of Company stock	(39,337)	(20,187)	(121,000)
Cash dividends paid	--	(34,320)	(27,898)
Distributions to minority shareholders	(9,000)	--	--
Other	249	(4,006)	--
Net -- financing activities	(12,030)	133,709	(56,142)
Currency translation adjustment	(2,121)	(879)	(1,041)
Net increase (decrease) in cash and cash equivalents	36,061	(1,142)	(14,959)
Cash and cash equivalents at end of year	\$ 44,433	\$ 8,372	\$ 9,514

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

1. ACCOUNTING POLICIES AND FINANCIAL STATEMENT INFORMATION

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. The accounts of all foreign subsidiaries have been included on the basis of fiscal periods ended three months or less prior to the dates of the consolidated balance sheets. All significant intercompany accounts and transactions have been eliminated. Investments in 20 to 50% owned companies and partnerships are reported using the equity method.

RECLASSIFICATION: The Company has reclassified the presentation of certain prior year information to conform with the current presentation format.

REVENUE RECOGNITION: Revenues from sales are recognized at the time shipments are made.

FOREIGN CURRENCY TRANSLATION: Assets and liabilities of foreign subsidiaries are translated at year-end rates of exchange and revenues and expenses are translated at the average rates of exchange for the year. Gains and losses resulting from translation are accumulated in a separate component of shareholders' equity and included in comprehensive income. Gains and losses resulting from foreign currency transactions (transactions denominated in a currency other than the subsidiary's functional currency) are included in net income.

CASH AND CASH EQUIVALENTS: Cash equivalents are defined as short-term investments having an original maturity of three months or less.

RECEIVABLES: Certain customer accounts receivable are factored without recourse with respect to credit risk. Factored accounts receivable at June 27, 1999, and June 28, 1998, were \$41.6 million and \$49.2 million, respectively. An allowance for losses is provided for known and potential losses rising from yarn quality claims and for customers not factored based on a periodic review of these accounts. Reserves for such losses were \$8.7 million at June 27, 1999 and \$8.2 million at June 28, 1998.

INVENTORIES: The Company utilizes the last-in, first-out ("LIFO") method for valuing certain inventories representing 52.4% of all inventories at June 27, 1999, and the first-in, first-out ("FIFO") method for all other inventories. Inventory values computed by the LIFO method are lower than current market values. Inventories valued at current or replacement cost would have been approximately \$0.7 million and \$8.9 million in excess of the LIFO valuation at June 27, 1999 and June 28, 1998, respectively. Finished goods, work in process, and raw materials and supplies at June 27, 1999, and June 28, 1998, amounted to \$69.7 million and \$77.4 million; \$14.6 million and \$14.8 million; and \$45.6 million and \$45.0 million, respectively.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment are stated at cost. Depreciation is computed for asset groups primarily utilizing the straight-line method for financial reporting and accelerated methods for tax reporting. For financial reporting purposes, asset lives have been assigned to asset categories over periods ranging between three and forty years.

OTHER NONCURRENT ASSETS: Other noncurrent assets at June 27, 1999, and June 28, 1998, consist primarily of the cash surrender value of key executive life insurance policies (\$8.1 million and \$7.1 million); unamortized bond issue costs (\$6.7 million and \$7.5 million); and acquisition related assets consisting of the excess cost over fair value of net assets acquired and other intangibles (\$86.3 million and \$83.9 million), respectively. Bond issue costs are being amortized on the straight-line method over the life of the bonds which approximates the effective interest method. The acquisition related assets are being amortized on the straight-line method over periods ranging between five and thirty years. Accumulated amortization at June 27, 1999 and June 28, 1998, for bond issue costs and acquisition related assets was \$19.2 million and \$10.2 million, respectively.

LONG-LIVED ASSETS: Long-lived assets, including the excess cost over fair value of net assets acquired, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between fair value and the carrying amount of the asset.

INCOME TAXES: The Company and its domestic subsidiaries file a consolidated federal income tax return. Income tax expense is computed on the basis of transactions entering into pretax operating results. Deferred

income taxes have been provided for the tax effect of temporary differences between financial statement carrying amounts and the tax basis of existing assets and liabilities. Income taxes have not been provided for the undistributed earnings of certain foreign subsidiaries as such earnings are deemed to be permanently invested.

EARNINGS PER SHARE: The following table details the computation of basic and diluted earnings per share:

(AMOUNTS IN THOUSANDS)	JUNE 27, 1999	JUNE 28, 1998	JUNE 29, 1997
Numerator:			
Income before cumulative effect of accounting change	\$59,027	\$128,901	\$115,665
Cumulative effect of accounting change	2,768	4,636	--
Net income	\$56,259	\$124,265	\$115,665
Denominator:			
Denominator for basic earnings per share -- weighted average shares	60,568	61,331	63,294
Effect of dilutive securities: stock options	2	525	641
Diluted potential common shares denominator for diluted earnings per share -- adjusted weighted average shares and assumed conversions	60,570	61,856	63,935

STOCK-BASED COMPENSATION: With the adoption of SFAS 123, the Company elected to continue to measure compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." Had the fair value-based method encouraged by SFAS 123 been applied, compensation expense would have been recorded on 414,000 options granted in fiscal 1999 (which mostly vest over a two year period), and 270,500 options granted in fiscal 1997 (which vest over a two year period). No options were granted in fiscal 1998. Net income in fiscal 1999, 1998 and 1997 restated for the effect would have been \$53.0 million or \$0.88 per diluted share, \$122.8 million or \$1.98 per diluted share and \$115.1 million or \$1.80 per diluted share, respectively. The fair value and related compensation expense of the 1999 and 1997 options were calculated as of the issuance date using the Black-Scholes model with the following assumptions:

OPTIONS GRANTED	1999	1997
Expected life (years)	10.0	10.0
Interest rate	6.14%	6.18%
Volatility	47.6%	31.1%
Dividend yield	--	1.72%

RECENT ACCOUNTING PRONOUNCEMENTS: In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," ("SFAS 130"). 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, which are not included in net income. SFAS 130 requires unrealized gains or losses on the Company's available-for-sale securities and the foreign currency translation adjustments, which prior to adoption were reported separately in shareholders' equity, to be included in other comprehensive income. Foreign currency translation adjustments presently represent the only component of comprehensive income for the Company. As of June 29, 1998, the Company adopted SFAS 130, however, the adoption of this Statement had no impact on the Company's net income or shareholders' equity. Prior year financial statements have been reclassified to conform to the requirements of SFAS 130.

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 the Company adopted in the fourth quarter of fiscal 1999. SFAS 131 establishes standards of reporting financial information from operating segments in annual and interim financial statements of public companies, 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 required segment

reporting is detailed in Note 9. The adoption of SFAS 131 had no effect on the consolidated results of operations or financial position.

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. SOP 98-1 requires 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. 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 substantially complete at 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 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") and in August 1999, the FASB issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities - -- Deferral of the Effective Date of FASB Statement No. 133," which delayed the effective date of SFAS 133 until the Company's fiscal year 2001. 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. For derivatives that are hedges, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged asset, liability, or firm commitment 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 does not enter into derivative financial instruments for trading purposes and it has not yet determined what the effect of SFAS 133, for derivatives that are considered hedges, will be on its earnings and financial position.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. ACQUISITIONS

The Company formed Unifi do Brasil, LTDA to acquire the assets of Fairway Polyester, LTDA., a Brazilian company, for \$16.6 million effective April 1, 1999. Also, effective June 1, 1999, UNIFI Technology Group LLC, the newly formed subsidiary of the Company, acquired the assets of Cimtec Inc. ("Cimtec"), a manufacturing automation solutions provider, for \$10.5 million. Subsequently, a five-percent interest in the new entity was sold to certain former Cimtec shareholders. The acquisitions, which are not considered significant to the Company's consolidated net assets or results of operations, were accounted for by the purchase method of accounting and both have been included in the consolidated results of the Company since the respective acquisition dates.

On November 14, 1997, the Company completed its Agreement and Plan of Triangular Merger with SI Holding Company and thereby acquired their covered yarn business for approximately \$46.6 million. Additionally, covenants-not-to-compete were entered into with the principal operating officers of the acquired company in exchange for \$9.2 million, to be paid generally over the terms of the covenants. The acquisition, which is not considered significant to the Company's consolidated net assets or results of operations, was accounted for by the purchase method of accounting and accordingly, the net assets and operations have been included in the Company's consolidated financial statements beginning on the date the acquisition was consummated. After allocation of the purchase price to the net assets acquired, the excess of cost over fair value has been valued at \$31.2 million.

3. CUMULATIVE EFFECT OF ACCOUNTING CHANGE

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," 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.

Pursuant to Emerging Issues Task Force No. 97-13 issued in November 1997, the Company changed its accounting policy in the second quarter of fiscal 1998 regarding a project to install an entirely new computer software system which it began in fiscal 1995. Previously, substantially all direct external costs relating to the project were capitalized, including the portion related to business process reengineering. In accordance with this accounting pronouncement, the unamortized balance of these reengineering costs as of September 28, 1997, of \$7.5 million (\$4.6 million after tax) or \$.07 per diluted share was written off as a cumulative catch-up adjustment in the second quarter of fiscal 1998.

4. LONG-TERM DEBT AND OTHER LIABILITIES

A summary of long-term debt follows:

(AMOUNTS IN THOUSANDS)	JUNE 27, 1999	JUNE 28, 1998
Bonds payable	\$248,242	\$248,038
Revolving credit facility	217,000	180,000
Sale-leaseback obligation	3,355	3,444
Other bank debt and other obligations	26,556	43,729
Total debt	495,153	475,211
Current maturities	16,255	16,234
Total long-term debt and other liabilities	\$478,898	\$458,977

On February 5, 1998, the Company issued \$250 million of senior, unsecured debt securities (the "Notes") to qualified institutional buyers. The net proceeds from the sale were used to repay a portion of the Company's bank credit facility. The Notes, which were registered with the Securities and Exchange Commission on April 2, 1998, bear a coupon rate of 6.50% and mature in 2008. The estimated fair value of the Notes, based on quoted market prices, at June 27, 1999 and June 28, 1998, was approximately \$229.7 million and \$247.4 million, respectively.

The Company entered a \$400 million revolving credit facility dated April 15, 1996, with a group of financial institutions that extends through April 15, 2001. The rate of interest charged is adjusted quarterly based on a pricing grid which is a function of the ratio of the Company's debt to earnings before income taxes, depreciation, amortization and other non-cash charges. The credit facility provides the Company the option of borrowing at a spread over the base rate (as defined) for base rate loans or the Adjusted London Interbank Offered Rate (LIBOR) for Eurodollar loans. In accordance with the pricing grid, the Company pays a quarterly facility fee ranging from 0.090%-0.150% of the total amount available under the revolving credit facility. The weighted average interest rates for fiscal years 1999 and 1998 were 5.57% and 5.89%, respectively. At June 27, 1999 and June 28, 1998, the interest rates on the outstanding balances were 5.29% and 5.92%, respectively. As a result of the variable nature of the credit facility's interest rate, the fair value of the Company's revolving credit debt approximates its carrying value.

The revolving credit facility also provides the Company the option to borrow funds competitively from the individual lenders, at their discretion, provided that the sum of the competitive bid loans and the aggregate funds committed under the revolving credit facility do not exceed the total committed amount. The revolving credit facility allows the Company to reduce the outstanding commitment in whole or in part upon satisfactory notice up to an amount no less than the sum of the aggregate competitive bid loans and the total committed loans. Any such partial termination is permanent. The Company may also elect to prepay loans in whole or in part. Amounts paid in accordance with this provision may be re-borrowed.

The terms of the revolving credit facility contain, among other provisions, requirements for maintaining certain net worth and other financial ratios and specific limits or restrictions on additional indebtedness, liens and merger activity. Provisions under this agreement are not considered restrictive to normal operations.

On May 20, 1997, the Company entered into a sales-leaseback agreement with a financial institution whereby land, buildings and associated real and personal property improvements of certain manufacturing facilities were sold to the financial institution and will be leased by the Company over a sixteen year period. Sales proceeds aggregated \$27.5 million. The terms of the agreement provide for an early purchase option at the end of year nine. If the agreement has not been terminated before the end of the lease term, by exercising the early purchase option or otherwise, the Company is required to purchase the leased properties at the end of the lease term for

an amount equal to the fair market value as defined in the agreement. This transaction has been recorded as a direct financing arrangement.

On June 30, 1997, the Company entered into a Contribution Agreement associated with the formation of Parkdale America, LLC (see Note 11). As a part of the Contribution Agreement, ownership of a significant portion of the assets financed under the sales-leaseback agreement and the related debt (\$23.5 million) were assumed by the LLC.

Payments for the remaining balance of the sales-leaseback agreement are due semi-annually and are in varying amounts, in accordance with the agreement. Principal payments required over the next five years are approximately \$100 thousand per year. The interest rate implicit in the agreement is 7.84%, and the fair value of the long-term obligation at June 27, 1999 and June 28, 1998, approximates its carrying value.

Other obligations consist of acquisition related liabilities due within the next four years. Maturities of the obligations over the next four years are \$16.3 million, \$4.0 million, \$3.1 million and \$3.6 million, respectively.

Interest capitalized during fiscal 1999 and 1998 was \$2.0 million and \$6.8 million, respectively.

5. INCOME TAXES

The provision for income taxes before the cumulative effect of accounting change in fiscal 1999 and 1998 consists of the following:

(AMOUNTS IN THOUSANDS)	JUNE 27, 1999	JUNE 28, 1998	JUNE 29, 1997
Currently payable:			
Federal	\$ 20,124	\$ 43,245	\$ 34,235
State	2,951	5,704	6,074
Foreign	653	1,474	1,151
Total current	23,728	50,423	41,460
Deferred:			
Federal	10,219	23,799	18,929
State	(5,718)	(11,715)	(1,994)
Foreign	140	275	222
Total deferred	4,641	12,359	17,157
Income taxes before extraordinary item and cumulative effect of accounting change .	\$ 28,369	\$ 62,782	\$ 58,617
	=====	=====	=====

Income taxes were 32.5%, 32.8% and 33.6% of pretax earnings in fiscal 1999, 1998 and 1997, respectively. A reconciliation of the provision for income taxes (before cumulative effect of accounting change, where applicable) with the amounts obtained by applying the federal statutory tax rate is as follows:

	JUNE 27, 1999	JUNE 28, 1998	JUNE 29, 1997
Federal statutory tax rate	35.0%	35.0%	35.0%
State income taxes net of federal tax benefit	3.1	2.9	3.2
State tax credits net of federal tax benefit	(5.1)	(4.9)	(1.7)
Foreign taxes less than domestic rate	(1.8)	(1.9)	(1.8)
Foreign Sales Corporation tax benefit	(0.7)	(0.4)	(0.5)
Research and experimentation credit	(0.1)	--	--
Nondeductible expenses and other	2.1	2.1	(0.6)
Effective tax rate	32.5%	32.8%	33.6%
	====	====	====

The deferred income taxes reflect the net tax effects of temporary differences between the bases of assets and liabilities for financial reporting purposes and their bases for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of June 27, 1999, and June 28, 1998, were as follows:

(AMOUNTS IN THOUSANDS)	JUNE 27, 1999	JUNE 28, 1998
Deferred tax liabilities:		
Property, plant and equipment	\$78,241	\$48,935
Investments in equity affiliates	20,883	33,506
Total deferred tax liabilities	99,124	82,441
Deferred tax assets:		
Accrued liabilities and valuation reserves	1,568	2,684
State tax credits	17,043	12,379
Other items	2,144	4,408
Total deferred tax assets	20,755	19,471
Net deferred tax liabilities	\$78,369	\$62,970
	=====	=====

6. COMMON STOCK AND STOCK OPTION PLANS

Common shares authorized were 500 million in 1999 and 1998. Common shares outstanding at June 27, 1999, and June 28, 1998, were 59,547,819 and 61,634,386, respectively.

The Company has Incentive Stock Option Plans ("ISO") with 1,537,357 shares reserved at June 27, 1999. There remain 691,000 options available for grant at year end. The Company also has a Non-Qualified Stock Option Plan ("NQSO") with 1,613,999 shares reserved at June 27, 1999. There remain 37,992 options available for grant at year end. The transactions for 1999, 1998 and 1997 were as follows:

	ISO		NQSO	
	OPTIONS OUTSTANDING	WEIGHTED AVG. \$/SHARE	OPTIONS OUTSTANDING	WEIGHTED AVG. \$/SHARE
Fiscal 1997:				
Shares under option -- beginning of year	1,793,378	\$ 18.76	693,519	\$ 25.47
Granted	--	--	465,500	28.64
Exercised	(346,787)	9.79	--	--
Canceled	--	--	--	--
Shares under option -- end of year	1,446,591	\$ 20.91	1,159,019	\$ 26.75
Fiscal 1998:				
Granted	--	\$ --	--	\$ --
Exercised	(504,458)	14.31	(47,852)	25.76
Canceled	--	--	--	--
Shares under option -- end of year	942,133	\$ 24.45	1,111,167	\$ 26.79
Fiscal 1999:				
Granted	309,000	\$ 16.31	105,000	\$ 17.47
Exercised	(833)	16.31	(25,000)	25.65
Canceled	(12,435)	17.48	(6,668)	31.00
Converted from ISO to NQSO	(391,508)	23.24	391,508	23.24
Shares under option -- end of year	846,357	\$ 22.15	1,576,007	\$ 25.29
	=====	=====	=====	=====

	FISCAL 1999	FISCAL 1998	FISCAL 1997
	-----	-----	-----
ISO:			
Exercisable shares under option -- end of year	685,918	942,133	1,446,591
Option price range	\$ 10.19-\$25.38	\$ 10.19-\$25.38	\$ 4.80-\$25.38
Weighted average exercise price for options exercisable	\$ 23.52	\$ 24.45	\$ 20.91
Weighted average remaining life of shares under options	6.4	6.2	6.0
Fair value of options granted	\$ 11.04	\$ --	\$ --
NQSO:			
Exercisable shares under option -- end of year	1,542,077	1,021,001	888,519
Option price range	\$ 16.31-\$31.00	\$ 25.38-\$31.00	\$ 23.88-\$31.00
Weighted average exercise price for options exercisable	\$ 25.48	\$ 26.42	\$ 25.45
Weighted average remaining life of shares under options	6.0	6.8	7.8
Fair value of options granted	\$ 11.21	\$ --	\$ 13.32

Substantially all options granted in fiscal years 1997, 1998 and 1999 vest over a two year period from the date of grant.

7. RETIREMENT PLANS

The Company has a qualified profit-sharing plan, which provides benefits for eligible salaried and hourly employees. The annual contribution to the plan, which is at the discretion of the Board of Directors, amounted to \$11.0 million in 1999, \$13.0 million in 1998 and \$17.0 million 1997. The Company leases its corporate office building from its profit-sharing plan through an independent trustee.

8. LEASES AND COMMITMENTS

In addition to the direct financing sales-leaseback obligation described in Note 4, the Company is obligated under operating leases consisting primarily of real estate and equipment. Future obligations for minimum rentals under the leases during fiscal years after June 27, 1999, are \$5.6 million in 2000, \$4.8 million in 2001, \$4.0 million in 2002, \$3.1 million in 2003 and \$1.9 million in 2004. Rental expense was \$7.6 million, \$6.8 million and \$5.0 million for the fiscal years 1999, 1998 and 1997, respectively. The Company had committed approximately \$20.2 million for the purchase and up grade of equipment and facilities at June 27, 1999.

9. BUSINESS SEGMENTS, FOREIGN OPERATIONS AND CONCENTRATIONS OF CREDIT RISK

The Company and its subsidiaries are engaged predominantly in the processing of yarns by texturing of synthetic filament polyester and nylon fiber with sales domestically and internationally, mostly to knitters and weavers for the apparel, industrial, hosiery, home furnishing, automotive upholstery and other end-use markets. Additionally, during fiscal 1999, the Company formed a limited liability company to provide integrated manufacturing, factory automation and electronic commerce solutions to other domestic manufactures. In fiscal year 1997, the Company was also directly involved with the spinning of cotton and cotton blend fibers. These operations were contributed to a limited liability company on June 30, 1997, of which the Company has a 34% ownership interest (see Note 11).

In accordance with SFAS 131, segmented financial information of the polyester and nylon operating segments, as regularly reported to management for the purpose of assessing performance and allocating resources, is detailed below. "All other" represents the results of the limited liability consulting company in fiscal 1999 and the spun cotton operations in fiscal 1997.

(AMOUNTS IN THOUSANDS)	POLYESTER	NYLON	ALL OTHER	TOTAL
Fiscal 1999				
Net sales to external customers	\$ 805,749	\$ 443,850	\$ 1,561	\$ 1,251,160
Intersegment net sales	17,014	5,159	--	22,173
Depreciation and amortization	36,791	24,038	48	60,877
Operating income	64,710	47,966	(62)	112,614
Total assets	709,553	206,661	13,392	929,606
Fiscal 1998				
Net sales to external customers	\$ 911,704	\$ 465,905	\$ --	\$ 1,377,609
Intersegment net sales	28,076	5,089	--	33,165
Depreciation and amortization	46,003	15,030	--	61,033
Operating income	111,944	70,512	--	182,456
Total assets	650,335	249,754	60	900,149
Fiscal 1997				
Net sales to external customers	\$ 935,972	\$ 464,608	\$ 304,346	\$ 1,704,926
Intersegment net sales	31,229	5,346	8	36,583
Depreciation and amortization	49,460	11,929	19,277	80,666
Operating income	106,710	71,642	4,681	183,033
Total assets	548,533	180,323	182,539	911,395

Segment operating income for fiscal 1999 was reduced \$9.7 million and \$5.1 million for polyester and nylon, respectively, as a result of the early retirement and termination charge in the third quarter (see Note 14).

Certain indirect manufacturing and selling, general and administrative costs are allocated to the operating segments based on activity drivers relevant to the respective costs. The primary differences between the segmented financial information of the operating segments, as reported to management, and the Company's consolidated reporting relates to fiber costing and capitalization of property, plant and equipment costs. The domestic portion of the operating division's fiber costs are valued on a standard cost basis, which approximates first-in, first-out accounting to better match current fluctuations in fiber costing. Subsequently, for those components of inventory valued utilizing the last-in, first-out method (see Note 1), an adjustment is made at the corporate level. For significant capital projects, capitalization is delayed for management reporting until the facility is substantially complete, however, for consolidated financial reporting, expenditures are capitalized into construction in progress as costs are incurred.

(AMOUNTS IN THOUSANDS)	JUNE 27, 1999	JUNE 28, 1998	JUNE 29, 1997

Depreciation and amortization			
Depreciation and amortization on specific assets of reportable segments	\$ 60,877	\$ 61,033	\$ 80,666
Depreciation on unallocated assets	25,626	6,138	7,233
Amortization of unallocated goodwill	2,343	2,096	--
Amortization of financing costs	1,030	443	--
	-----	-----	-----
Consolidated depreciation and amortization	\$ 89,876	\$ 69,710	\$ 87,899
	=====	=====	=====
Operating income			
Reportable segments operating income	\$ 112,614	\$ 182,456	\$ 183,033
Net LIFO to standard adjustment	8,040	2,038	1,997
Unallocated operating expense projects	(1,442)	--	--
	-----	-----	-----
Consolidated operating income	\$ 119,212	\$ 184,494	\$ 185,030
	=====	=====	=====
Total assets			
Reportable segments total assets	\$ 929,606	\$ 900,149	\$ 911,395
Cash, receivables and other current assets	18,269	2,604	9,027
Unallocated corporate fixed assets	176,161	188,311	90,852
Other non-current corporate assets	41,201	34,112	8,529
Investments in equity affiliates	207,142	212,488	--
Intersegment notes and receivables	(6,539)	(3,850)	(1,100)
	-----	-----	-----
Consolidated Assets	\$ 1,365,840	\$ 1,333,814	\$ 1,018,703
	=====	=====	=====

The Company's domestic operations serve customers principally located in the southeastern United States as well as international customers located primarily in Canada, Mexico, Europe and South America. During fiscal 1999, 1998 and 1997 the Company did not have sales to any one customer in excess of 10% of consolidated revenues. Export sales, excluding those to the Company's international operations, aggregated \$153.9 million in 1999, \$185.5 million in 1998 and \$203.8 million in 1997. The concentration of credit risk for the Company with respect to trade receivables is mitigated due to the large number of customers, dispersion across different industries and geographic regions and its factoring arrangements.

The Company's foreign operations primarily consist of manufacturing operations in Ireland, Brazil and Columbia. Net sales, pre-tax operating income and total assets of the Company's foreign and domestic operations are as follows:

(AMOUNTS IN THOUSANDS)	JUNE 27, 1999	JUNE 28, 1998	JUNE 29, 1997

Foreign operations:			
Net sales	\$ 130,766	\$ 136,573	\$ 140,102
Pre-tax income	6,804	15,107	12,683
Total assets	173,298	127,586	112,203
Domestic operations:			
Net sales	\$ 1,120,394	\$ 1,241,036	\$ 1,564,824
Pre-tax income	80,592	176,576	161,599
Total assets	1,192,542	1,206,228	906,500

10. DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company conducts its business in various foreign currencies. As a result, it is subject to the transaction exposure that arises from foreign exchange rate movements between the dates that foreign currency transactions are recorded (export sales and purchases commitments) and the dates they are consummated (cash receipts and cash disbursements in foreign currencies). The Company utilizes some natural hedging to mitigate these transaction exposures. The Company also enters into foreign currency forward contracts for the purchase and sale of European, Canadian and other currencies to hedge balance sheet and income statement currency exposures. These contracts are principally entered into for the purchase of inventory and equipment and the sale of Company products into export markets. Counter-parties for these instruments are major financial institutions.

Currency forward contracts are entered to hedge exposure for sales in foreign currencies based on specific sales orders with customers or for anticipated sales activity for a future time period. Generally, 60-80% of the sales value of these orders are covered by forward contracts. Maturity dates of the forward contracts attempt to match anticipated receivable collections. The Company marks the outstanding accounts receivable and forward contracts to market at month end and any realized and unrealized gains or losses are recorded as other income and expense. The Company also enters currency forward contracts for committed equipment and inventory purchases. Generally 50-75% of the asset cost is covered by forward contracts. Forward contracts are matched with the anticipated date of delivery of the assets and gains and losses are recorded as a component of the asset cost. The outstanding hedge agreements as of June 27, 1999 mature through June 2000.

The dollar equivalent of these forward currency contracts and their related fair values are detailed below:

(AMOUNTS IN THOUSANDS)	JUNE 27, 1999	JUNE 28, 1998
Foreign currency purchase contracts:		
Notational amount	\$ 2,842	\$ 29,184
Fair value	3,250	31,418
	-----	-----
Net unrecognized (gain) loss	\$ (408)	\$ (2,234)
	=====	=====
Foreign currency sales contracts:		
Notational amount	\$ 28,024	\$ 28,446
Fair value	27,826	28,646
	-----	-----
Net unrecognized (gain) loss	\$ (198)	\$ 200
	=====	=====

The following methods were used by the Company in estimating its fair value disclosures for financial instruments:

CASH AND CASH EQUIVALENTS, TRADE RECEIVABLES AND TRADE PAYABLES -- The carrying amounts approximate fair value because of the short maturity of these instruments.

LONG-TERM DEBT -- The fair value of the Company's borrowings is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities (see Note 4).

FOREIGN CURRENCY CONTRACTS -- The fair value is based on quotes obtained from brokers or reference to publicly available market information.

11. INVESTMENT IN UNCONSOLIDATED AFFILIATES

Investments in affiliates consist of a 34% interest in Parkdale America, LLC (the "LLC") and a 41.61% interest in Micell Technologies, Inc. ("Micell"). The LLC was created on June 30, 1997, when the Company and Parkdale Mills, Inc. ("Parkdale") of Gastonia, North Carolina entered into a Contribution Agreement (the "Agreement") that set forth the terms and conditions whereby each entity's open-end and air jet spun cotton yarn assets and certain long-term debt obligations were contributed to the LLC. In accordance with the Agreement, each entity's inventory, owned real and tangible personal property and improvements thereon and the Company's leased real property associated with the operations were contributed to the LLC. Additionally, the Company contributed \$32.9 million in cash to the LLC on June 30, 1997, and is required to contribute \$10.0 million in cash on June 30, 1998, and \$10.0 million on June 30, 1999, whereas Parkdale contributed cash of \$51.6 million on June 30, 1997. The LLC assumed certain long-term debt obligations of the Company and Parkdale in the amounts of \$23.5 million and \$46.0 million, respectively. In exchange for the assets contributed to the LLC and the liabilities assumed by the LLC, the Company received a 34% interest in the LLC and Parkdale received a 66% interest in the LLC. The excess of the Company's investment over its equity in the underlying net assets of the LLC approximated \$67.9 million at June 30, 1997 and is being amortized on a straight-line basis over 30 years as a component of the equity in earnings of unconsolidated affiliates.

Condensed balance sheet and income statement information as of June 27, 1999 and June 28, 1998 and for the fiscal year ended June 27, 1999 and June 28, 1998, of the combined LLC and Micell is as follows:

(AMOUNTS IN THOUSANDS)	JUNE 27, 1999	JUNE 28, 1998
Current assets	\$ 282,004	\$ 260,358
Noncurrent assets	256,513	264,194
Current liabilities	125,730	134,110
Shareholders' equity and capital accounts	390,935	390,442
Net sales	\$ 594,445	\$ 652,097
Gross profit	57,915	108,649
Income from operations	27,653	80,546
Net income	21,262	75,788

The LLC is organized as a partnership for tax purposes. Taxable income is passed through the LLC to the shareholders in accordance with the Operating Agreement of the LLC. For the fiscal year ended June 27, 1999, distributions received by the Company from the LLC aggregated \$9.5 million.

12. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information is summarized below:

(AMOUNTS IN THOUSANDS)	JUNE 27, 1999	JUNE 28, 1998	JUNE 29, 1997
Cash payments for:			
Interest, net of amounts capitalized	\$ 16,922	\$ 16,521	\$ 12,064
Income taxes, net of refunds	8,225	47,488	45,726
Stock issued for SI Holdings Company acquisition ..	--	21,000	--

13. MINORITY INTEREST

Effective May 29, 1998, the Company formed a limited liability company (the "Partnership") with Burlington Industries, Inc. ("Burlington") to manufacture and market natural textured polyester yarns. The Company has an 85.42% interest in the Partnership and Burlington has 14.58%. However, for the first five years of the Partnership, Burlington is entitled to the first \$9.4 million of earnings. Subsequent to this five year period, earnings are to be allocated based on ownership percentages. The Partnership's assets, liabilities and earnings are consolidated with those of the Company and Burlington's interest in the Partnership is included in the Company's financial statements as minority interest. Burlington's share of the partnership earnings in fiscal 1999 and 1998 amounted to \$9.4 million and \$0.7 million, respectively.

14. EARLY RETIREMENT AND TERMINATION CHARGE

During the third quarter of fiscal 1999, 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. At June 27, 1999 there remained a reserve of \$11.0 million that is expected to equal the future cash expenditures to such terminated employees.

15. QUARTERLY RESULTS (UNAUDITED)

Quarterly financial data for the years ended June 28, 1998, and June 27, 1999, is presented below:

(AMOUNT IN THOUSANDS, EXCEPT PER SHARE DATA)	FIRST QUARTER (13 WEEKS)	SECOND QUARTER (13 WEEKS)	THIRD QUARTER (13 WEEKS)	FOURTH QUARTER (13 WEEKS)
1998:				
Net sales	\$ 329,842	\$ 343,096	\$ 345,986	\$ 358,685
Gross profit	49,518	59,005	58,134	61,114
Income before cumulative effect of accounting change	27,525	33,019	33,286	35,071
Cumulative effect of accounting change	4,636	28,383	33,286	35,071
Net income	27,525	28,383	33,286	35,071
Income before cumulative effect of accounting change (basic) .....	.45	.54	.54	.57
Income before cumulative effect of accounting change (diluted) .....	.45	.54	.54	.57
Earnings per share (basic) .....	.45	.46	.54	.57
Earnings per share (diluted) .....	.45	.46	.54	.57
1999:				
Net sales	\$ 328,815	\$ 319,854	\$ 294,805	\$ 307,686
Gross profit	47,477	50,460	29,970	46,643
Income before cumulative effect of accounting change	21,030	22,498	1,093	14,406
Cumulative effect of accounting change	2,768	22,498	1,093	14,406
Net income	18,262	22,498	1,093	14,406
Income before cumulative effect of accounting change (basic) .....	.34	.37	.02	.24
Income before cumulative effect of accounting change (diluted) .....	.30	.37	.02	.24
Earnings per share (basic) .....	.34	.37	.02	.24
Earnings per share (diluted) .....	.30	.37	.02	.24

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

The Company has not changed accountants nor are there any disagreements with its accountants, Ernst & Young LLP, on accounting and financial disclosure that should be reported pursuant to Item 304 of Regulation S-K.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT AND COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

(a) Directors of Registrant: The information included under the headings "Election of Directors", "Nominees for Election as Directors", "Security Holding of Directors, Nominees, and Executive Officers", "Directors' Compensation", "Committees of the Board of Directors", and compliance with Section 16(a) of The Securities and Exchange Act, beginning on Page 3 and ending on Page 6 and on page 17 of the definitive proxy statement filed with the Commission since the close of the Registrant's fiscal year ended June 27, 1999, and within 120 days after the close of said fiscal year, are incorporated herein by reference.

(b) Identification of Executive Officers:

CHAIRMAN OF THE BOARD OF DIRECTORS

G. ALLEN MEBANE, IV Mr. Mebane is 69 and has been an Executive Officer and member of the Board of directors of the Company since 1971, serving as President and Chief Executive Officer of the Company, relinquishing these positions in 1980 and 1985, respectively. He was the Chairman of the Board of Directors for many years, Chairman of the Executive Committee from 1974 to 1995, and was elected as one of the three members of the Office of Chairman on August 8, 1991. On October 22, 1992, Mr. Mebane was again elected as Chairman of the Board of Directors and on January 20, 1999 resumed the positions of Chief Executive Officer and Chairman of the Executive Committee.

PRESIDENT AND CHIEF OPERATING OFFICER

BRIAN R. PARKE Mr. Parke is 51 and has been the Manager or President of the Company's Irish subsidiary (Unifi Textured Yarns Europe) from its acquisition by the Company in 1984 to January 20, 1999, when he was elected President and Chief Operating Officer of the Company. Additionally, Mr. Parke has been a Vice President of the Company since October 21, 1993 and on July 22, 1999 was elected to the Company's Board of Directors.

EXECUTIVE VICE PRESIDENTS

JERRY W. ELLER Mr. Eller is 58 and has been a Vice President or Executive Vice President since 1975. He has been a member of the Board of Directors since 1985 and is a member of the Executive Committee.

G. ALFRED WEBSTER Mr. Webster is 51 and has been a Vice President or Executive Vice President since 1979. He has been a member of the Board of Directors since 1986 and is a member of the Executive Committee.

SENIOR VICE PRESIDENTS

WILLIS C. MOORE, III Mr. Moore is 46 and had been a Partner with Ernst & Young LLP, or its predecessors from 1975 until December 1994, when he became employed by the Company as its Chief Financial Officer. Mr. Moore was elected as a Vice President of the Company on October 19, 1995, and is currently serving as a Senior Vice President and Chief Financial Officer.

JAMES W. BROWN, JR. Mr. Brown is 47 and was an employee of Macfield, Inc. from 1973 until the Macfield merger on August 8, 1991, when he became an employee of the Company. He became a Vice President of the Company on October 22, 1992 and a Senior Vice President on January 20, 1999. He is currently serving as President of the Nylon/Covered Yarn Division of the Company.

STEWART O. LITTLE Mr. Little is 46 and has been a Vice President of the Company since October 24, 1985 and a Senior Vice President since January 20, 1999. He is currently serving as President of the Polyester Division of the Company.

These officers, unless otherwise noted, were elected by the Board of Directors of the Registrant at the Annual Meeting of the Board of Directors held on October 22, 1998. Each officer was elected to serve until the next Annual Meeting of the Board of Directors or until his successor was elected and qualified.

(c) Family Relationship: Mr. Mebane, Chairman of the Board, and Mr. C. Clifford Frazier, Jr., the Secretary of the Registrant, are first cousins. Except for this relationship, there is no family relation between any of the Officers.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the headings "Compensation and Option Committees Interlocks and Insider Participation in Compensation Decisions", "Executive Officers and Their Compensation", "Employment and Termination Agreements", "Options Granted", "Option Exercises and Option/SAR Values", the "Report of the Compensation Committee on Executive Compensation", and the "Performance Graph-Shareholder Return on Common Stock" beginning on Page 6 and ending on Page 13 of the Company's definitive proxy statement filed with the Commission since the close of the Registrant's fiscal year ended June 27, 1999, and within 120 days after the close of said fiscal year, are incorporated herein by reference.

For additional information regarding executive compensation reference is made to Exhibits (101), (10m), (10n), (10p), (10q), (10r) and (10s) of this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security ownership of certain beneficial owners and management is the same as reported under the heading "Information Relating to Principal Security Holders" on Page 2 of the definitive proxy statement and under the heading "Security Holding of Directors, Nominees and Executive Officers" on Page 5 and Page 6 of the definitive proxy statement filed with the Commission pursuant to Regulation 14 (a) within 120 days after the close of the fiscal year ended June 27, 1999, which are hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information included under the heading "Compensation and Option Committees Interlocks and Insider Participation In Compensation Decisions", on Page 6 and Page 7 of the definitive proxy statement filed with the Commission since the close of the Registrant's fiscal year ended June 27, 1999, and within 120 days after the close of said fiscal year, is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements

The following financial statements and report of independent auditors are filed as a part of this Report.

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2. Financial Statement Schedules

Schedules for the three years ended June 27, 1999:

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Schedules other than those above are omitted because they are not required, are not applicable, or the required information is given in the consolidated financial statements or notes thereto.

Individual financial statements of the Registrant have been omitted because it is primarily an operating company and all subsidiaries included in the consolidated financial statements being filed, in the aggregate, do not have minority equity interest and/or indebtedness to any person other than the Registrant or its consolidated subsidiaries in amounts which together exceed 5% of the total assets as shown by the most recent year end consolidated balance sheet.

With the exception of the information herein expressly incorporated by reference, the 1999 Proxy Statement is not deemed filed as a part of this Annual Report on Form 10-K.

3. Exhibits

EXHIBIT NO.	DESCRIPTION
-----	-----
(2a-1)	Contribution Agreement, dated June 30, 1997, by and between Parkdale Mills, Inc., Unifi, Inc., UNIFI Manufacturing, Inc., and Parkdale America, LLC, filed as Exhibit (2) to Unifi's Form 8-K filed with the Commission on July 15, 1997, which is incorporated herein by reference.
(3a)	Restated Certificate of Incorporation of Unifi, Inc., dated July 21, 1994, (filed as Exhibit (3a) with the Company's Form 10-K for the fiscal year ended June 26, 1994), which is incorporated herein by reference.
(3b)	Restated by-laws of Unifi, Inc., (effective July 22, 1999), filed herewith.
(4a)	Specimen Certificate of Unifi, Inc.'s common stock, filed as Exhibit 4(a) to the Registration Statement on Form S-1, (Registration No. 2-45405), which is incorporated herein by reference.
(4b)	Unifi, Inc.'s Registration Statement for the 6 1/2% Notes due 2008, Series B, filed on Form S-4 (Registration No. 333-49243), which is incorporated herein by reference.
(4c)	Description of Unifi, Inc.'s common stock, filed on November 5, 1998, as Item 5. (Other Events) on Form 8-K, which is incorporated herein by reference.
(10a)	*Unifi, Inc. 1982 Incentive Stock Option Plan, as amended, filed as Exhibit 28.2 to the Registration Statement on Form S-8, (Registration No. 33-23201), which is incorporated herein by reference.
(10b)	*Unifi, Inc. 1987 Non-Qualified Stock Option Plan, as amended, filed as Exhibit 28.3 to the Registration Statement on Form S-8, (Registration No. 33-23201), which is incorporated herein by reference.

EXHIBIT NO.	DESCRIPTION
(10c)	*Unifi, Inc. 1992 Incentive Stock Option Plan, effective July 16, 1992, (filed as Exhibit (10c) with the Company's Form 10-K for the fiscal year ended June 27, 1993), and included as Exhibit 99.2 to the Registration Statement on Form S-8 (Registration No. 33-53799), which are incorporated herein by reference.
(10d)	*Unifi, Inc.'s Registration Statement for selling Shareholders, who are Directors and Officers of the Company, who acquired the shares as stock bonuses from the Company, filed on Form S-3 (Registration No. 33-23201), which is incorporated herein by reference.
(10e)	Unifi Spun Yarns, Inc.'s 1992 Employee Stock Option Plan filed as Exhibit 99.3 to the Registration Statement on Form S-8 (Registration No. 33-53799), which is incorporated herein by reference.
(10f)	*Unifi, Inc.'s 1996 Incentive Stock Option Plan (filed as Exhibit 10(f) with the Company's Form 10-K for the fiscal year ended June 30, 1996) which is incorporated herein by reference.
(10g)	*Unifi, Inc.'s 1996 Non-Qualified Stock Option Plan (filed as Exhibit 10(g) with the Company's Form 10-K for the fiscal year ended June 30, 1996) which is incorporated herein by reference.
(10h)	Lease Agreement, dated March 2, 1987, between NationsBank, Trustee under the Unifi, Inc. Profit Sharing Plan and Trust, Wachovia Bank and Trust Co., N.A., Independent Fiduciary, and Unifi, Inc., (filed as Exhibit (10d) with the Company's Form 10-K for the fiscal year ended June 27, 1987), which is incorporated herein by reference.
(10i)	Factoring Contract and Security Agreement and a Letter Amendment thereto, all dated as of May 25, 1994, by and between Unifi, Inc. and the CIT Group/DCC, Inc., (filed as Exhibit (10g) with the Company's Form 10-K for the fiscal year ended June 26, 1994), which are incorporated herein by reference.
(10j)	Factoring Contract and Security Agreement, dated as of May 2, 1988, between Macfield, Inc., and First Factors Corp., and First Amendment thereto, dated September 28, 1990, (both filed as Exhibit (10g) with the Company's Form 10-K for the fiscal year ended June 30, 1991), and Second Amendment to the Factoring Contract and Security Agreement, dated March 1, 1992, (filed as Exhibit (10g) with the Company's Form 10-K for the fiscal year ended June 27, 1992), and Letter Agreement dated August 31, 1993 and Amendment to Factoring Contract and Security Agreement dated January 5, 1994, (filed as Exhibit (10h) with the Company's Form 10-K for the fiscal year ended June 26, 1994), which are incorporated herein by reference.
(10k)	Factoring Agreement dated August 23, 1995, and a Letter Amendment thereto dated October 16, 1995, by and between Unifi, Inc. and Republic Factors Corp., (filed as Exhibit 10(k) with the Company's Form 10-K for the fiscal year ended June 30, 1996) which is incorporated herein by reference.
(10l)	*Employment Agreement between Unifi, Inc. and G. Allen Mebane, dated July 19, 1990, (filed as Exhibit (10h) with the Company's Form 10-K for the fiscal year ended June 30, 1991), which is incorporated herein by reference.
(10m)	*Employment Agreement between Unifi, Inc. and William T. Kretzer, dated July 19, 1990, (filed as Exhibit (10i) with the Company's Form 10-K for the fiscal year ended June 30, 1991), and Amendment to Employment Agreement between Unifi, Inc. and William T. Kretzer, dated October 22, 1992 (filed as Exhibit (10j) with the Company's Form 10-K for fiscal year ended June 27, 1993), which are incorporated herein by reference, and Termination Agreement effective the 1st day of February, 1999, which is filed herewith.
(10n)	*Severance Compensation Agreement between Unifi, Inc. and William T. Kretzer, dated July 20, 1996, expiring on July 19, 1999 (similar agreements were signed with G. Allen Mebane, Robert A. Ward, Jerry W. Eller and G. Alfred Webster)(filed as Exhibit (10n) with the Company's Form 10-K for fiscal year ended June 30, 1996), which is incorporated herein by reference.
(10o)	Credit Agreement, dated April 15, 1996, by and between Unifi, Inc. and The Several Lenders from Time to Time Party thereto and NationsBank, N.A. as agent, (filed as Exhibit (10o) with the Company's Form 10-K for the fiscal year ended June 30, 1996) which is incorporated herein by reference.
(10p)	*Deferral Agreement, dated November 21, 1997, by and between Unifi, Inc. and William T. Kretzer (filed as Exhibit (10p) with the Company's Form 10-K for the fiscal year ended June 28, 1998), which incorporated herein by reference. Note: Said Deferral Agreement was amended by the Termination Agreement filed as Exhibit (10m) to this Form 10-K.

EXHIBIT NO.	DESCRIPTION
(10q)	*Severance Compensation Agreement between Unifi, Inc. and Willis C. Moore, III, dated July 16, 1998, expiring on July 20, 2001 (similar agreements were signed with James W. Brown, Jr., Kenneth L. Huggins, Stewart Q. Little, Ralph D. Mayes and Raymond W. Maynard)(filed as Exhibit (10q) with the Company's Form 10-K for the fiscal year ended June 28, 1998).
(10r)	*Severance Compensation Agreement between Unifi, Inc. and Brian R. Parke, dated October 1, 1998, expiring on July 20, 2001, filed herewith.
(10s)	*Agreement, effective February 1, 1999, by and between Unifi, Inc. and Jerry W. Eller, filed herewith.
(21)	Subsidiaries of Unifi, Inc.
(23)	Consent of Ernst & Young LLP.
(27)	Financial Data Schedule.
(b)	Reports on Form 8-K.
	None

* NOTE: These Exhibits are management contracts or compensatory plans or arrangements required to be filed as an exhibit to this Form 10-K pursuant to Item 14(c) of this report.

(d) Schedule II -- Valuation and Qualifying Accounts
 UNIFI, INC. AND SUBSIDIARIES
 JUNE 27, 1999
 (IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	

ADDITIONS					

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS -- DESCRIBE	DEDUCTIONS -- DESCRIBE	BALANCE AT END OF PERIOD

Allowance for doubtful accounts:					
Year ended June 27, 1999 ..	\$8,225	\$6,241	\$ 451(a)	\$ (6,168)(b)	\$8,749
Year ended June 28, 1998 ..	5,462	3,917	3,665(a)	(4,819)(b)	8,225
Year ended June 29, 1997 ..	6,595	4,390	--	(5,523)(b)	5,462

(A) INCLUDES ACQUISITION RELATED ADJUSTMENTS TO WRITE-DOWN ACQUIRED ACCOUNTS RECEIVABLE TO FAIR MARKET VALUE.

(B) INCLUDES UNCOLLECTIBLE ACCOUNTS WRITTEN OFF AND CUSTOMER CLAIMS PAID, NET OF CERTAIN RECOVERIES.

RESTATED BY-LAWS
OF
UNIFI, INC.

(Effective July 22,1999)

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RESTATED BY-LAWS
OF
UNIFI, INC.

ARTICLE I
Shareholders

Section 1.01. Annual Meeting. The Annual Meeting of Shareholders for the election of Directors and the transaction of such other business as may come before it shall be held on such date in each calendar year, not later than the one hundred fiftieth (150) day after the close of the Corporation's preceding fiscal year, and at such place as shall be fixed by the President and stated in the notice or waiver of notice of the meeting. Section 1.02. Special Meetings. Special meetings of the shareholders, for any purpose or purposes, may be called at any time by any Director, the President, any Vice President, the Treasurer or the Secretary or by resolution of the Board of Directors. Special meetings of the shareholders shall be held at such place as shall be fixed by the person or persons calling the meeting and stated in the notice or waiver of notice of the meeting.

Section 1.03. Notice of Meetings of Shareholders. Whenever shareholders are required or permitted to take any action at a meeting, written notice shall state the place, date and hour of the meeting and, unless it is the Annual Meeting, indicate that it is being issued by or at the direction of the person or persons calling the meeting. Notice of a special meeting shall also state the purpose or purposes for which the meeting is called. If, at any meeting, action is proposed to be taken which would, if taken, entitle shareholders fulfilling the requirements of Section 623 of the Business Corporation Law to receive payment for their shares, the notice of such meeting shall include a statement of that purpose to that effect. A copy of the notice of any meeting shall be given, personally or by mail, not less than ten nor more than fifty days before the date of the meeting, to each shareholder entitled to vote at such meeting. If mailed, such notice is given when deposited in the United States mail, with postage thereon prepaid, directed to the shareholder at his address as it appears on the record of shareholders, or, if he shall have filed with the Secretary of the Corporation a written request that notices to him be mailed to some other address, then directed to him at such other address. When a meeting is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted on the original date of the meeting. However, if after the adjournment, the Board of Directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record on the new record date entitled to notice under the next preceding paragraph.

Section 1.04. Waivers of Notice. Notice of meeting need not be given to any shareholder who submits a signed Waiver of Notice, in person or by proxy, whether before or after the meeting.

The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a Waiver of Notice by him.

Section 1.05. Quorum. The holders of a majority of the shares entitled to vote thereat shall constitute a quorum at a meeting of shareholders for the transaction of any business, provided that when a specified item of business is required to be voted on by a class or series, voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum for the transaction of such specified item of business.

When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.

The shareholders present may adjourn the meeting despite the absence of a quorum and at any such adjourned meeting at which the requisite amount of voting stock shall be represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 1.06. Fixing Record Date. For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action, the Board of Directors may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than fifty nor less than ten days before the date of such meeting, nor more than fifty days prior to any other action. When a determination of shareholders of record entitled to notice of or to vote at any meeting or shareholders has been made as provided in this Section, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date under this Section for the adjourned meeting.

Section 1.07. List of Shareholders at Meeting. A list of shareholders as of the record date, certified by the corporate officer responsible for its preparation or by a transfer agent, shall be produced at any meeting of shareholders upon the request thereat or prior thereto of any shareholder. If the right to vote at any meeting is challenged, the inspectors of election, or person presiding thereat, shall require such list of shareholders to be produced as evidence of the right of the persons challenged to vote at such meeting, and all persons who appear from such list to be shareholders entitled to vote thereat may vote at such meeting.

Section 1.08. Proxies. Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent without a meeting may authorize another person or persons to act for him by proxy.

Every proxy must be signed by the shareholder or his attorney-in-fact. No proxy shall be valid after the expiration of eleven months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it, except as otherwise provided in this Section.

The authority of the holder of a proxy to act shall not be revoked by the incompetence or death of the shareholder who executed the proxy unless, before the authority is exercised, written notice of an adjudication of such incompetence or of such death is received by the Corporate Officer responsible for maintaining the list of shareholders.

Except when other provision shall have been made by written agreement between the parties, the record holder of shares which are held by a pledgee as security or which belong to another, upon demand therefor and payment of necessary expenses thereof, shall issue to the pledgor or to such owner of such shares a proxy to vote or take other action thereon.

A shareholder shall not sell his vote or issue a proxy to vote to any person for any sum of money or anything of value, except as authorized in this Section and Section 620 of the Business Corporation Law.

A proxy which is entitled "irrevocable proxy" and which states that it is irrevocable, is irrevocable when it is held by any of the following or a nominee of any of the following:

- (1) A Pledgee;
- (2) A person who has purchased or agreed to purchase the shares;
- (3) A creditor or creditors of the Corporation who extend or continue credit to the Corporation in consideration of the proxy if the proxy states that it was given in consideration of such extension or continuation of credit, the amount thereof, and the name of the person extending or continuing credit;
- (4) A person who has contracted to perform services as an Officer of the Corporation, if a proxy is required by the contract of employment, if the proxy states that it was given in consideration of such contract of employment, the name of the employee and the period of employment contracted for;
- (5) A person designated by or under an agreement under paragraph (a) of said Section 620.

Notwithstanding a provision in a proxy, stating that it is irrevocable, the proxy becomes revocable after the pledge is redeemed, or the debt of the Corporation is paid, or the period of employment provided for in the contract of employment has terminated, or the agreement under paragraph (a) of said Section 620 has terminated, and becomes revocable, in a case provided for in subparagraph (3) or (4) above, at the end of the period, if any, specified therein as the period during which it is irrevocable, or three years after the date of the proxy, whichever period is less, unless the period of irrevocability is renewed from time to time by the execution of a new irrevocable proxy as provided in this Section. This paragraph does not affect the duration of a proxy under the second paragraph of this Section.

A proxy may be revoked, notwithstanding a provision making it irrevocable, by a purchaser of shares without knowledge of the existence of the provision unless the existence of the proxy and its irrevocability is noted conspicuously on the face or back of the certificate representing such shares.

Section 1.09. Selection and Duties of Inspectors. The Board of Directors, in advance of any shareholders' meeting, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a shareholders' meeting may, and on the request of any shareholder entitled to vote thereat shall, appoint one or more inspectors. In case any person appointed failed to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability.

The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder entitled to vote thereat, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or

certificate made by them shall be prima facie evidence of the facts stated and of the vote as certified by them.

Unless appointed by the Board of Directors or requested by a shareholder, as above provided in this Section, inspectors shall be dispensed with at all meetings of shareholders.

The vote upon any question before any shareholders' meeting need not be by ballot.

Section 1.10. Qualification of Voters. Every shareholder of record shall be entitled at every meeting of shareholders to one vote for every share standing in his name on the record of shareholders, except as expressly provided otherwise in this Section and except as otherwise expressly provided in the Certificate of Incorporation of the Corporation.

Treasury shares and shares held by another domestic or foreign corporation of any type or kind, if a majority of the shares entitled to vote in the election of Directors of such other corporation is held by the Corporation, shall not be shares entitled to vote or to be counted in determining the total number of outstanding shares.

Shares held by an administrator, executor, guardian, conservator, committee, or other fiduciary, except a Trustee, may be voted by him, either in person or by proxy, without transfer of such shares into his name. Shares held by a Trustee may be voted by him, either in person or by proxy, only after the shares have been transferred into his name as Trustee or into the name of his nominee.

Shares held by or under the control of a receiver may be voted by him without the transfer thereof into his name if authority so to do is contained in an order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, or a nominee of the pledgee.

Redeemable shares which have been called for redemption shall not be deemed to be outstanding shares for the purpose of voting or determining the total number of shares entitled to vote on any matter on and after the date on which written notice of redemption has been sent to holders thereof and a sum sufficient to redeem such shares has been deposited with a bank or trust company with irrevocable instruction and authority to pay the redemption price to the holders of the shares upon surrender of certificates therefor.

Shares standing in the name of another domestic or foreign corporation of any type or kind may be voted by such Officer, agent or proxy as the By-Laws of such corporation may provide, or, in the absence of such provision, as the Board of Directors of such corporation may determine.

When shares are registered on the record of shareholders of the Corporation in the name of, or have passed by operation of law or by virtue of any deed of trust or other instrument to two or more fiduciaries, and if the fiduciaries shall be equally divided as to voting such shares, any court having jurisdiction of their accounts, upon petition by any of such fiduciaries or by any party in interest, may direct the voting of such shares for the best interest of the beneficiaries. This paragraph shall not apply in any case where the instrument or order of the court appointing such fiduciaries shall otherwise direct how such shares shall be voted.

Notwithstanding the foregoing paragraphs of this Section, the Corporation shall be protected in treating the persons whose names shares stand on the record of shareholders as the owners thereof for all purposes.

Section 1.11. Vote of Shareholders. Directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election. Whenever any corporate action, other than the election of Directors, is to be taken by vote of the shareholders, it shall, except as otherwise required by the Business Corporation Law or by the Certificate of Incorporation of the Corporation, be authorized by a majority of the votes cast at a meeting of shareholders by the holders of shares entitled to vote thereon.

Section 1.12. Written Consent of Shareholders. Whenever under the Business Corporation Law shareholders are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by the holders of all outstanding shares entitled to vote thereon. This paragraph shall not be construed to alter or modify the provisions of any section of the Business Corporation Law or any provision in the Certificate of Incorporation of the Corporation not inconsistent with the Business Corporation Law under which the written consent of the holders of less than all outstanding shares is sufficient for corporate action.

Written consent thus given by the holders of all outstanding shares entitled to vote shall have the same effect as a unanimous vote of shareholders.

ARTICLE II Directors

Section 2.01. Management of Business; Qualifications of Directors. The business of the Corporation shall be managed by its Board of Directors, each of whom shall be at least twenty-one years of age.

Directors need not be Stockholders.

The Board of Directors, in addition to the powers and authority expressly conferred upon it herein, by statute, by the Certificate of Incorporation of the Corporation and otherwise, is hereby empowered to exercise all such powers as may be exercised by the Corporation, except as expressly provided otherwise by the statutes of the State of New York, by the Certificate of Incorporation of the Corporation and these By-Laws.

Section 2.02. Number of Directors. The number of Directors which shall constitute the entire Board shall be eleven (11), but this number may be increased and subsequently again increased or decreased from time to time by the affirmative vote of the majority of Directors, except that the number of Directors shall not be less than nine (9).

Section 2.03. Classification and Election. (a) The Directors shall be divided into three classes designated as Class 1, Class 2 and Class 3. All classes shall be as nearly equal in number as possible and no class shall include less than three (3) Directors. The term of office of the Directors initially classified shall be as follows: Class 1 shall expire at the next (1992) Annual Meeting of the Shareholders, Class 2 shall expire at the second succeeding (1993) Annual Meeting of the Shareholders, and Class 3 shall expire at the third succeeding (1994) Annual Meeting of the Shareholders. (b) At each Annual Meeting after such initial classification, Directors to replace those whose terms expired at such Annual Meeting shall be elected to hold office until the third succeeding Annual Meeting of the Shareholders. A Director shall hold office until the Annual Meeting for the year in which his term expires and subject to prior death, resignation, retirement, or removal from office, until his successor shall be elected and qualified.

Section 2.04. Newly Created Directorship and Vacancies. Newly created Directorships or any decrease in Directorship shall be apportioned among the classes as to make all classes as nearly equal in number as possible. Newly created Directorships resulting from an increase in the number of Directors and vacancies caused by death, resignation, retirement, or removal from office, subject to Section 2.05(b), may be filled by the majority of the Directors voting on the particular matter, if a quorum is present. If the number of Directors then in office is less than a quorum, such newly created Directorships and vacancies may be filled by the affirmative vote of a majority of the Directors in office. When the number of Directors is increased by the Board, and the newly created Directorships are filled by the Board, there shall be no classification of the additional Directors until the next Annual Meeting of the shareholders. Any Director elected by the Board to fill a vacancy shall serve until the next meeting of the shareholders, at which the election of the Directors is in the regular order of business, and until his successor is elected and qualified.

In no case will a decrease in the number of Directors shorten the term of an incumbent Director.

Section 2.05(a). Resignations. Any Director of the Corporation may resign at any time by giving written notice to the Board of Directors, the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, if any, or if no time is specified therein, then upon receipt of such notice by the addressee; and, unless otherwise provided therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 2.05(b). Removal of Directors. Any or all of the Directors may be removed at any time (i) for cause by vote of the shareholders or by action on the Board of Directors or (ii) without cause by vote of the shareholders, except as expressly provided otherwise by Section 706 of the Business Corporation Law. The Board of Directors shall fill vacancies occurring in the Board by reason of removal of Directors for cause. Vacancies occurring by reason of removal without cause shall be filled by the Shareholders.

Section 2.06. Quorum of Directors. At all meetings of the Board of Directors, a majority of the number of Directors then office shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as expressly provided otherwise by the statutes of the State of New York and except as provided in the third sentence of Section 2.04, in Section 2.11 and Section 7.09 hereof.

A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting of the Directors to another time and place. Notice of any adjournment need not be given if such time and place are announced at the meeting.

Section 2.07. Annual Meeting. The Board of Directors shall meet immediately following the adjournment of the Annual Meeting of shareholders in each year at the same place and no notice of such meeting shall be necessary.

Section 2.08. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall from time to time be fixed by the Board and no notice thereof shall be necessary.

Section 2.09. Special Meetings. Special meetings may be called at any time by any Director, the President, any Vice President, the Treasurer, or the Secretary or by resolution of the Board of Directors. Special meetings shall be held at such place as shall be fixed by the person or persons calling the meeting and stated in the notice or waiver of notice of the meeting.

Section 2.10. Compensation. Directors shall receive such fixed sums and expenses of attendance for attendance at each meeting of the Board or of any committee and/or such salary as may be determined from time to time by the Board of Directors; provided that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 2.11. Committees. The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from among its members an Executive Committee and other committees, each consisting of three or more Directors, and each of which, to the extent provided in the resolution, shall have the authority of the Board of Directors, except that no such committee shall have authority as to the following matters:

- (a) The submission to shareholders of any action that needs shareholder's authorization under the Business Corporation Law.
- (b) The filling of vacancies in the Board of Directors or in any committee.
- (c) The fixing of compensation of the Directors for serving on the Board of Directors or on any committee.
- (d) The amendment or repeal of the By-Laws, or the adoption of new By-Laws.

(e) The amendment or repeal of any resolution of the Board of Directors which by its terms shall not be so amendable or repealable.

The Board may designate one or more Directors as alternate members of any such committee, who may replace any absent member or members at any meeting of such committee. Each such committee shall serve at the pleasure of the Board of Directors.

Regular meetings of any such committee shall be held at such time and place as shall from time to time be fixed by such committee and no notice thereof shall be necessary. Special meetings may be called at any time by any Officer of the Corporation or any member of such committee.

Notice of each special meeting of each such committee shall be given (or waived) in the same manner as notice of a special meeting of the Board of Directors. A majority of the members of any such committee shall constitute a quorum for the transaction of business and the act of a majority of the members present at the time of the vote, if a quorum is present at such time, shall be the act of the committee.

Section 2.12. Interested Directors. No contract or other transaction between the Corporation and one or more of its Directors, or between the Corporation and any other corporation, firm, association or other entity in which one or more of the Corporation's Directors are Directors or Officers, or are financially interested, shall be either void or voidable for this reason alone or by reason alone that such Director or Directors are present at the meeting of the Board of Directors, or of a committee thereof, which approves such contract or transaction, or that his or their votes are counted for such purpose:

(1) If the fact of such common Directorship, Officership or financial interest is disclosed or known to the Board or committee, and the Board or committee approves such contract or transaction by a vote sufficient for such purpose without counting the vote or votes of such interested Director or Directors;

(2) If such common Directorship, Officership or financial interest is disclosed or known to the shareholders entitled to vote thereon, and such contract or transaction is approved by vote of the shareholders; or

(3) If the contract or transaction is fair and reasonable as to the Corporation at the time it is approved by the Board, a committee of the shareholders.

Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which approves such contract or transaction.

Section 2.13. Loans to Directors. A loan shall not be made by the Corporation to any Director unless it is authorized by vote of the shareholders. For this purpose, the shares of the Director who would be the borrower shall not be shares entitled to vote. A loan made in violation of this Section shall be a violation of the duty to the Corporation of the Directors approving it, but the obligation of the borrower with respect to the loan shall not be affected thereby.

Section 2.14. Consent to Action. Any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board or committee consent in writing, whether done before or after the action so taken, to the adoption of a resolution authorizing the action. The resolution and the written consent thereto shall be filed with the Minutes of the proceeding of the Board or the committee.

ARTICLE III Officers

Section 3.01. Election or Appointment: Number. The Officers shall be a Chairman, a Vice-Chairman, a President, a Secretary, a Treasurer, and such number of Executive Vice-Presidents, Vice-Presidents, Assistant Secretaries and Assistant Treasurers, and such other Officers as the

Board may from time to time determine. Any person may hold two or more offices at the same time, except the offices of President and Secretary. Any Officer, except the Chairman, Vice-Chairman and the President of the Corporation, may but does not need to be chosen from among the Board of Directors.

Section 3.02. Term. Subject to the provisions of Section 3.03 hereof, all officers shall be elected or appointed to hold office until the meeting of the Board of Directors following the next Annual Meeting of shareholders, and each officer shall hold office for the term for which he is elected or appointed and until his successor has been elected or appointed and qualified.

The Board may require any Officer to give security for the faithful performance of his duties. Section 3.03. Removal. Any Officer elected or appointed by the Board of Directors may be removed by the Board with or without cause.

The removal of an Officer without cause shall be without prejudice to his contract rights, if any. The election or appointment of an Officer shall not of itself create contract rights.

Section 3.04. Authority. Any Director or such other person as may be designated by the Board of Directors, and in the absence of such Director or other person, the President shall be the Chief Executive Officer of the Corporation. The Chairman shall oversee the general operations of the Corporation and set company policy which would be implemented, interpreted and carried out by the President and Chief Executive Officer who will report directly to the Chairman. The Chairman shall preside at all meetings of the Board of Directors unless some other person is designated by the Board.

Section 3.05. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers or notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice-President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any Corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

ARTICLE IV Capital Stock

Section 4.01. Stock Certificates. The shares of the Corporation shall be represented by certificates signed by the Chairman of the Board or the President or a Vice-President and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer of the Corporation, and may be sealed with the seal of the Corporation or a facsimile thereof. The signatures of the Officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or its employee. In case any Officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such Officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such Officer at the date of issue.

Each certificate representing shares shall also set forth such additional material as is required by subdivisions (b) and (c) of Section 508 of the Business Corporation Law. Section 4.02. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by the laws of the State of New York and in these By-Laws Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be canceled before the new certificate shall be issued.

Section 4.03. Registered Holders. The Corporation shall be entitled to treat and shall be protected in treating the persons in whose names shares or any warrants, rights or options stand on the record of shareholders, warrant holders, right holders or option holders, as the case may be, as the owners thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, any such share, warrant, right or option on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided otherwise by the Statutes of the State of New York.

Section 4.04. New Certificates. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Directors may, in their discretion, require the owner of the lost, stolen or destroyed certificate, or his legal representatives, to give the Corporation a bond sufficient (in the judgment of the Directors) to indemnify the Corporation against any claim that may be made against it on account of the alleged loss or theft of any such certificate or the issuance of such new certificate. A new certificate may be issued without requiring any bond when, in the judgment of the Directors, it is proper so to do.

ARTICLE V Financial Notices to Shareholders

Section 5.01. Dividends. When any dividend is paid or any other distribution is made, in whole or in part, from sources other than earned surplus, it shall be accompanied by a written notice (1) disclosing the amounts by which such dividend or distribution affects stated capital, capital surplus and earned surplus, or (2) if such amounts are not determinable at the time of such notice, disclosing the approximate effect of such dividend or distribution upon stated capital, capital surplus and earned surplus and stating that such amounts are not yet determinable.

Section 5.02. Share Distribution and Changes. Every distribution to shareholders of certificates representing a share distribution or a change of shares which affects stated capital, capital surplus or earned surplus shall be accompanied by a written notice (1) disclosing the amounts by which such distribution or change affects stated capital, capital surplus or earned surplus, or (2) if such amounts are not determinable at the time of such notice, disclosing the approximate effect of such distribution or change upon stated capital, capital surplus and earned surplus and stating that such amounts are not yet determinable.

When issued shares are changed in any manner which affects stated capital, capital surplus or earned surplus, and no distribution to shareholders of certificates representing any shares resulting from such change is made, disclosure of the effect of such change upon the stated capital, capital surplus and earned surplus shall be made in the next financial statement covering the period in which such change is made that is furnished by the Corporation to holders of shares of the class or series so changed or, if practicable, in the first notice of dividend or share distribution or change that is furnished to such shareholders between the date of the change and shares and the next such financial statement, and in any event within six months of the date of such change.

Section 5.03. Cancellation of Reacquired Shares. When reacquired shares other than converted shares are canceled, the stated capital of the Corporation shall be reduced by the amount of stated capital then represented by such shares plus any stated capital not theretofore allocated to any designated class or series which is thereupon allocated to the shares canceled. The amount by which stated capital has been reduced by cancellation of required shares during a stated period of time shall be disclosed in the next financial statement covering such period that is furnished by the Corporation to all its shareholders or, if practicable, in the first notice of dividend or share distribution that is furnished to the holders of each class or series of its shares between the end of the period and the next such financial statement, and in any event to all its shareholders within six months of the date of the reduction of capital.

Section 5.04. Reduction of Stated Capital. When a reduction of stated capital has been effected under Section 516 of the Business Corporation Law, the amount of such reduction shall be disclosed in the next financial statement covering the period in which such reduction is made that is furnished by the Corporation to all its shareholders or, if practicable, in the first notice of dividend or share distribution that is furnished to the holders of each class or series of its shares between the date of such reduction and the next such financial statement, and in any event to all its shareholders within six months of the date of such reduction.

Section 5.05. Application of Capital Surplus to Elimination of a Deficit. Whenever the Corporation shall apply any part or all of its capital surplus to the elimination of any deficit in the earned surplus account, such application shall be disclosed in the next financial statement covering the period in which such elimination is made that is furnished by the Corporation to all its shareholders or, if practicable, in the first notice of dividend or share distribution that is furnished to holders of each class or series of its shares between the date of such elimination and the next such financial statement, and in any event to all its shareholders within six months of the date of such action.

Section 5.06. Conversion of Shares. Should the Corporation issue any convertible shares, then, when shares have been converted, disclosure of the conversion of shares during a stated period of time and its effect, if any, upon stated capital shall be made in the next financial statement covering such period that is furnished by the Corporation to all its shareholders or, if practicable, in the first notice of dividend or share distribution that is furnished to the holders of each class or series of its shares between the end of such period and the next financial statement, and in any event to all its shareholders within six months of the date of the conversion of shares.

ARTICLE VI Indemnification

Section 6.01. Right to Indemnification. The Corporation shall indemnify, defend and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative or other, including appeals, by reason of the fact that he is or was a Director, Officer or employee of the Corporation, or is or was serving at the request of the Corporation as a Director, Officer or employee of any Corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a Director, Officer or employee or in any other capacity while serving as a Director, Officer or employee, to the fullest extent authorized by the New York Business Corporation Law, as the same exists or may hereafter be amended, against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; provided, however, that except as provided in Section 6.02 hereof with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that if required by law at the time of such payment, the payment of such expenses incurred by a Director or Officer in his capacity as a Director or Officer (and not in any other capacity in which service was or is rendered by such person while a Director or Officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of such proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Director or Officer, to repay all

amounts so advanced if it should be determined ultimately that such Director or Officer is not entitled to be indemnified under this Section or otherwise.

"Employee" as used herein, includes both an active employee in the Corporation's service, as well as a retired employee who is or has been a party to a written agreement under which he might be, or might have been, obligated to render services to the Corporation.

Section 6.02. Right of Claimant to Bring Suit. If a claim under Section 6.01 is not paid in full by the Corporation within sixty (60) days or, in cases of advances of expenses, twenty (20) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the New York Business Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defence shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the New York Business Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) that the claimant had not met such applicable standard of conduct shall be a defense to the action or create a presumption that claimant had not met the applicable standard of conduct. The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to this Article that the procedures and presumptions of this Article are not valid, binding and enforceable and shall stipulate in any such proceeding that the Corporation is bound by all provisions of this Article.

Section 6.03. Nonexclusiveness. The indemnification and advances of expenses granted pursuant to, or provided by, this Article shall not be deemed exclusive of any other rights to which a Director or Officer seeking indemnification or advancement or expenses may be entitled, whether contained in the Certificate of Incorporation or these By-Laws, and the Board of Directors is authorized, from time to time in its discretion, to enter into agreements with one or more Directors, Officers and other persons providing for the maximum indemnification allowed by applicable law.

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article (a) shall apply to acts or omissions antedating the adoption of this By-Law, (b) shall be severable, (c) shall not be exclusive of other rights to which any Director, Officer or employee may now or hereafter become entitled apart from this Article, (d) shall continue as to a person who has ceased to be such Director, Officer or employee and (e) shall inure to the benefit of the heirs, Executors and Administrators of such a person.

Section 6.04. Insurance for Indemnification of Directors and Officers. The Corporation shall have the power to purchase and maintain insurance (a) to indemnify the Corporation for any obligations which it incurs as the result of the indemnification of Directors and Officers under the provisions of this Article; (b) to indemnify Directors and Officers in instances which they may be indemnified by the Corporation under the provisions of this Article; and (c) to indemnify Directors and Officers in instances in which they may not otherwise be indemnified by the Corporation under the provisions of this Article, provided the contract of insurance covering such Directors and Officers provides, in a manner acceptable to the Superintendent of Insurance of the State of New York, for a retention amount and for co-insurance.

No insurance under the preceding paragraph of this Section may provide for any payment, other than the cost of defense, to or on behalf of any Director or Officer: (i) if a judgment or other final adjudication adverse to the insured Director or Officer establishes that his acts of active and deliberate dishonesty were material to the cause of action so adjudicated or that he personally gained in fact a financial profit or other advantage to which he was not legally entitled, or (ii) in relation to any risk the insurance of which is prohibited under the insurance laws of the State of New York.

ARTICLE VII

Miscellaneous

Section 7.01. Offices. The principal office of the Corporation shall be in the City of New York, County of New York, State of New York. The Corporation may also have offices at other places, within and/or without the State of New York.

Section 7.02. Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its incorporation and the words "Corporate Seal of New York".

Section 7.03. Checks. All checks or demands for money shall be signed by such person or persons as the Board of Directors may from time to time determine.

Section 7.04. Fiscal Year. The fiscal year of the Corporation shall begin on the 1st day of July in each year and shall end on the 30th day of June of the ensuing year and the first fiscal year shall end on June 30, 1969.

Section 7.05. Books and Records. The Corporation shall keep correct and complete books and records of accounts and shall keep minutes of the proceedings of its shareholders, Board of Directors and Executive Committee, if any, and shall keep at the office of the Corporation in New York State or at the office of its transfer agent or registrar in New York State, a record containing the names and addresses of all shareholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof. Any of the foregoing books, minutes or records may be in written form or in any other form capable of being converted into written form within a reasonable time.

Section 7.6. Duty of Directors and Officers. Directors and Officers shall discharge the duties of their respective positions in good faith and with that degree of diligence, care and skill which ordinarily prudent men would exercise under similar circumstances in like positions. In discharging their duties, Directors and Officers, when acting in good faith, may rely upon financial statements of the Corporation represented to them to be correct by the President or the Officer of the Corporation having charge of its books of accounts, or stated in a written report by an independent public or certified public accountant or firm of such accountants fairly to reflect the financial condition of the Corporation.

Section 7.07. When Notice or Lapse of Time Unnecessary; Notice Dispensed With When Delivery is Prohibited. Whenever, under the Business Corporation Law or the Certificate of Incorporation or the By-Law of the Corporation or by the terms of any agreement or instrument, the Corporation or the Board of Directors or any committee thereof is authorized to take any action after notice to any person or persons or after the lapse of a prescribed period of time, such action may be taken without notice and without the lapse of such period of time, if at any time before or after such action is completed the person or persons entitled to such notice or entitled to participate in the action to be taken or, in the case of a shareholder, by his attorney-in-fact, submit a signed waiver of notice of such requirements.

Whenever any notice or communication is required to be given to any person by the Business Corporation Law, the Certificate of Incorporation of the Corporation or these By-Laws, or by the terms of any agreement or instrument, or as a condition precedent to taking any corporate action

and communication with such person is then unlawful under any statute of the State of New York or of the United States or any regulation, proclamation or order issued under said statutes, then the giving of such notice or communication to such person shall not be required and there shall be no duty to apply for license or other permission to do so. Any affidavit, certificate or other instrument which is required to be made or filed as proof of the giving of any notice or communication required the Business Corporation Law shall, if such notice or communication to any person is dispensed with under this paragraph, include a statement that such notice or communication was not given to any person with whom communication is unlawful. Such affidavit, certificate or other instrument shall be as effective for all purposes as though such notice or communication had been personally given to such person.

Section 7.08. Entire Board. As used in these By-Laws, the term "Entire Board" means the total number of Directors which the Corporation would have if there were no vacancies.

Section 7.09. Amendment of By-Laws. These By-Laws may be amended or repealed and new By-Laws adopted by the Board of Directors or by vote of the holders of the shares at the time entitled to vote of the holders of the shares at the time entitled to vote in the election of any Directors, except that any amendment by the Board changing the number of Directors shall require the vote of a majority of the Entire Board and except that any By-Laws adopted by the Board may be amended or repealed by the shareholders entitled to vote thereon as provided in the Business Corporation Law.

If any By-Law regulating an impending election of Directors is adopted, amended or repealed by the Board, the shall be set forth in the notice of the next meeting of shareholders for the election of Directors the By-Law so adopted, amended or repealed, together with a concise statement of the changes made.

Section 7.10 Nonapplication of North Carolina Shareholder Protection Act. The provisions of North Carolina General Statutes 55-75 through 55-79 shall not be applicable to this Corporation. Section 7.11. Section Headings. The Headings to the Articles and Sections of these By-Laws have been inserted for convenience of reference only and shall not be deemed to be a part of these By-Laws.

AGREEMENT

This AGREEMENT ("Agreement") entered into as of the 1st day of February, 1999, by and between UNIFI, INC., a New York corporation, with its executive offices in Greensboro, North Carolina (hereinafter, together with its wholly owned subsidiaries, referred to as "UNIFI"), and WILLIAM T. KRETZER, of Guilford County, North Carolina (hereinafter referred to as "MR. KRETZER");

W I T N E S S E T H:

WHEREAS, MR. KRETZER has been an employee of UNIFI since 1971 and has served as President and Chief Executive Officer since 1985;

WHEREAS, MR. KRETZER and UNIFI agreed that MR. KRETZER would resign his employment with UNIFI;

WHEREAS, in consideration of his past services to UNIFI, UNIFI has agreed to pay to MR. KRETZER the sum of Three Million Dollars (\$3,000,000) pursuant to Section 1 of this Agreement and to provide him with the benefits, split dollar insurance, stock options and deferred compensation described in Sections 2, 3, 4, 5, 7 and 8; and

WHEREAS, in consideration of UNIFI's agreement to pay him the sum of One Million Dollars (\$1,000,000) pursuant to Section 12(A) of this Agreement, MR. KRETZER has agreed to certain covenants regarding the disclosure of confidential information and noncompetition;

NOW, THEREFORE, in consideration of these premises and mutual agreements herein contained, and intending to be legally bound hereby, the parties agree as follows:

Section 1. Cash Payments - UNIFI agrees to pay MR. KRETZER the sum of Three Million Dollars (\$3,000,000). This amount shall be paid in thirty-six (36) equal monthly installments of \$83,333 each on UNIFI's regular salaried payroll dates, with the first monthly installment being due and payable on February 28, 1999 and a like installment being due and payable on the same date of each calendar month thereafter, to and including January 2002. These payments will be subject to all applicable federal and state taxes. In the event of MR. KRETZER's death before January 31, 2002, the payments thereafter becoming due under this Section 1 will be paid to his estate. MR. KRETZER shall be entitled to the payments provided for in this Section 1 even if he becomes employed by another company.

Section 2. Medical and Dental Insurance - UNIFI will continue to provide MR. KRETZER the same medical and dental coverage provided to executive officers covered by the terms of the Unifi, Inc. Employee Welfare Benefit Plan until the earliest to occur of the last day of the month in which MR. KRETZER attains the age of sixty-five (65) years or obtains employment with another company and becomes eligible for substantially comparable benefits. MR. KRETZER shall be eligible to continue to receive medical and dental benefits in order that he may obtain coverage for himself and for his Dependents, as the term "Dependents" is defined in the Medical Plan, and so that the following shall apply to coverage of MR. KRETZER and his Dependents:

(A) As a condition of coverage of MR. KRETZER, he must pay for each month of coverage an amount equal to the premium paid for such month by an active employee for coverage under the Medical Plan. During the time when payments are being made pursuant to Section 1, such premiums shall be paid by deductions from such installments unless UNIFI in its sole discretion agrees otherwise. Thereafter, such premiums shall be due on the first day of the month to which they apply, but coverage will not be terminated unless any failure by MR. KRETZER to pay

premiums on the due date continues for more than 30 days after written notice thereof is given to MR. KRETZER.

(B) As a condition of coverage of a Dependent, MR. KRETZER must pay for each month of coverage an amount equal to the premium paid for such month by an active employee for coverage of a Dependent under the Medical Plan. During the time when payments are being made pursuant to Section 1, such premiums shall be paid by deductions from such installments unless UNIFI in its sole discretion agrees otherwise. Thereafter, such premiums shall be due on the first day of the month to which they apply, but coverage will not be terminated unless any failure by MR. KRETZER to pay premiums on the due date continues for more than 30 days after written notice thereof is given to MR. KRETZER, or unless MR. KRETZER is in breach of Section 10 or Section 11 of this Agreement.

(C) The terms of medical and dental coverage for MR. KRETZER and his Dependents at any given time shall be the terms applicable to executive officers of UNIFI and their Dependents at such time. It is explicitly understood and agreed that any amendments to or alteration of the Medical Plan (including any amendment terminating the Medical Plan) may be applicable to MR. KRETZER and his Dependents without regard to whether the amendment or alteration was adopted or made before or after the date MR. KRETZER entered into this Agreement. It is explicitly understood and agreed that a Dependent will lose medical and dental coverage as of the first day of the month next following MR. KRETZER's sixty-fifth (65th) birthday, regardless of the Dependent's age, unless the Dependent has lost coverage earlier. In the event of MR. KRETZER's death before his sixty-fifth (65th) birthday, his Dependents will continue to be eligible for medical and dental coverage as hereinabove provided until the first day of the month next following MR. KRETZER's sixty-fifth (65th) birthday.

(D) UNIFI will continue to provide MR. KRETZER group term life insurance

coverage in the amount of \$750,000 until the earliest to occur of the last day of the month in which MR. KRETZER attains the age of sixty-five (65) years or obtains employment with another company and becomes eligible for a substantially comparable life insurance benefit.

(E) In addition to the medical, dental and group life insurance benefits described in Sections 2(A), (B), (C) and (D), MR. KRETZER shall be entitled to all other benefits provided to executive officers of UNIFI (including, without limitation, benefits under the portions of the Welfare Benefit Plan that provide benefits in the event of disability and that provide accidental death and dismemberment coverage) on the same basis and on the same terms as if MR. KRETZER had continued his employment with UNIFI. MR. KRETZER's entitlement to benefits under this Section 2(E) shall continue until the earliest to occur of the last day of the month in which MR. KRETZER attains the age of sixty-five (65) years or obtains employment with another company and becomes eligible for substantially comparable benefits or is in breach of Section 10 or Section 11 of this Agreement.

Section 3. COBRA, etc. - It is understood that this Agreement does not waive or abrogate MR. KRETZER's entitlement to health insurance benefits under COBRA or to vested retirement funds in UNIFI'S retirement plan. Any retirement benefits to which MR. KRETZER is entitled shall be governed by the terms of the retirement plan.

Section 4. Other Benefits

(A) MR. KRETZER agrees that no provision is granted for continued vacation pay, automobile allowance, education renewal, tuition reimbursement, or mobile telephone service after the date of this Agreement, and that he will return to UNIFI all company property, documents, notes, software programs, data and any other materials (including any copies thereof) in his possession.

(B) Until the date on which MR. KRETZER obtains full-time employment with another company, MR. KRETZER will have the right to use UNIFI's airplanes and apartments, provided that such use does not interfere with UNIFI's use of its airplanes and apartments for business purposes and provided further that in connection with such use by MR. KRETZER, he shall reimburse UNIFI in accordance with the reimbursement policies then in effect for executive officers of UNIFI.

(C) Until the date on which MR. KRETZER obtains full-time employment with another company, UNIFI will provide MR. KRETZER with an executive office (at UNIFI's headquarters in Greensboro, North Carolina, or such other place as may be mutually agreed upon by UNIFI and MR. KRETZER) and secretarial assistance.

Section 5. Split Dollar Insurance - Schedule A attached hereto lists the life insurance policies on MR. KRETZER's life currently owned by UNIFI under a Split Dollar Arrangement (the "Policies"). The Policies are subject to the Executive Split Dollar Life Insurance Agreement dated July 1, 1990 (the "Split Dollar Agreement") between UNIFI and MR. KRETZER (except that Schedule A to this Agreement shall be substituted for Schedule A to the Split Dollar Agreement) and, accordingly, MR. KRETZER shall have the right to and UNIFI the obligation to continue the Split Dollar Agreement with respect to the Policies until the applicable Termination Date, provided that MR. KRETZER continues to make the required premium contributions under the Split Dollar Agreement.

Section 6. Taxes - MR. KRETZER will be responsible for any federal, state or local taxes which may be owed by him by virtue of the receipt of any portion of the consideration herein provided.

Section 7. Option Grants - Regarding option grants:

(A) MR. KRETZER was granted options under the Unifi, Inc. 1992 Incentive Stock Option Plan and the Unifi, Inc. 1996 Incentive Stock Option Plan. Stock option agreements dated October 27, 1992, October 21, 1993, and September 22, 1994 were entered into in relation to the respective stock option grants. All options which have not been exercised shall be canceled and the respective stock option agreements terminated. New stock options will be granted to MR. KRETZER under the Unifi, Inc. 1996 Non-Qualified Stock Option Plan for the number of unexercised shares and at the purchase price per share as set forth in the above-referenced respective incentive stock option agreements. All such new options shall vest and be exercisable immediately and shall terminate ten (10) years from the date the above-referenced incentive stock options were granted.

(B) MR. KRETZER was previously granted options under the Unifi, Inc. 1992 Non-Qualified Stock Option Plan and the Unifi, Inc. 1996 Non-Qualified Stock Option Plan. Stock option agreements dated October 27, 1992, October 21, 1993, September 22, 1994, April 18, 1995, April 18, 1996, April 17, 1997, and October 22, 1998 were entered into in relation to the respective stock option grants. The option agreements will be amended to provide that all unexercised options under the respective agreements are fully vested and exercisable immediately and shall

terminate ten (10) years from the date the above-referenced nonqualified stock options were granted.

(C) In the event of MR. KRETZER's death before termination of any of the options described in (A) and (B) above, such options will continue in effect and may be exercised by MR. KRETZER's estate within six (6) months after his death.

Section 8. Deferral Agreement - The Deferral Agreement dated November 21, 1997, between UNIFI and MR. KRETZER (the "Deferral Agreement") is hereby amended by deleting paragraph 3 in its entirety and inserting in lieu thereof the following:

A3. DEFERRAL. On January 2, 2003, the Executive or his designated beneficiary, if the Executive should die before January 2, 2003, will be entitled to receive the Deferral Shares and Accumulated Income in a lump sum. The Board of Directors ("Board") of UNIFI will consider any request by the Executive for an earlier payment of the Deferral Shares and Accumulated Income, but any such earlier payment will be in the sole discretion of the Board.

Section 9. 1999 Profit Sharing Plan Contribution - MR. KRETZER agrees that he is not entitled to and waives his right to share in the contribution, if any, made to UNIFI's Profit Sharing Plan and Trust (the "Profit Sharing Plan") for the fiscal year ended June 30, 1999. MR. KRETZER hereby agrees to indemnify and hold harmless UNIFI, its directors, officers and employees, as well as UNIFI's Profit Sharing Plan and Trust, for any amounts that may be assessed against each and every one of the foregoing for his not sharing in such contribution, if any, as made to the Profit Sharing Plan for fiscal year ended June 30, 1999.

Section 10. Disclosure of Confidential Information - MR. KRETZER agrees that:

(A) For a period of three (3) years from the date of this Agreement, he will not disclose or make available to any person or other entity any trade secrets, confidential information, as hereinafter defined, or "know-how" relating to UNIFI's, its affiliates' and subsidiaries', businesses without written authority from UNIFI's President or Board of Directors, unless he is compelled to disclose it by judicial process.

Confidential Information shall mean all information about UNIFI, its affiliates or subsidiaries, or relating to any of their products or any phase of their operations, not generally known to their competitors or which is not public information, which MR. KRETZER knows or acquired knowledge of during the term of his employment. Confidential Information does not include information that becomes available to MR. KRETZER from a source other than UNIFI, provided MR. KRETZER does not have actual knowledge or reason to believe such source was bound by a duty of confidentiality to UNIFI.

(B) Documents - Under no circumstances shall MR. KRETZER remove from UNIFI's offices any of UNIFI's books, records, documents, customer lists, or any copies of such documents without UNIFI's written consent, nor shall he make any copies of UNIFI's books, records, documents, or customer lists for use outside of UNIFI, except as specifically authorized in writing by the President or Board of Directors of UNIFI.

Section 11. Non-Compete - Subject to the provisos of this Section 11, MR. KRETZER hereby promises and agrees that, for a period of three (3) years from the date of this Agreement he will not, directly or indirectly, without the prior written consent of UNIFI's Board of Directors or its Compensation Committee:

(A) Own any interest in (other than by ownership of less than ten percent (10%) of any class of stock (or ownership interest) of a publicly or privately held corporation or other business entity), act as a director, manage, operate, control, be employed by, render advisory services to, represent, participate in, or be connected with any business that is engaged in the business of producing, manufacturing, distributing, and/or selling, in competition with UNIFI, in any country in which UNIFI is engaged in the manufacturing, distribution or sales of UNIFI Products or services on the date of this Agreement;

(B) Influence, attempt to influence or solicit any customer of UNIFI to discontinue its purchase of, or divert its business with respect to, any UNIFI Products or services manufactured and/or sold by UNIFI from UNIFI to himself or any other person, firm, entity or corporation;

(C) Interfere with, disrupt, or attempt to disrupt the relationship, contractual or otherwise, between UNIFI and any of its suppliers, principals, distributors, lessors, licensors, licensees, or franchisees; or

(D) Solicit any employee or salesman of UNIFI, whose annual salary exceeds \$25,000, to work for himself or any other person, firm, entity or corporation competing with UNIFI;

provided, however, that this Section 11 shall not prevent MR. KRETZER from:

(W) Engaging in any capacity in the business of producing, manufacturing, distributing, and/or selling any of the UNIFI Products that UNIFI ceases to sell to third parties after the date of this Agreement;

(X) Being employed or otherwise engaged by any entity whose primary business at the time of his employment or engagement is not the sale of UNIFI Products to third parties, even if that entity thereafter acquires or is acquired by another entity whose primary business is the sale of UNIFI Products to third parties, if MR. KRETZER's primary duties and responsibilities are unrelated in any material respect to the UNIFI Products; and

provided further that UNIFI's Board of Directors will not unreasonably withhold its consent to MR. KRETZER'S:

(Y) Engaging in any capacity in the business of producing, manufacturing, distributing, and/or selling POY yarns; or

(Z) Serving as a director of and/or being employed by any corporation, partnership, sole proprietorship or other entity (or as a manager and/or employee of any limited liability company) in the textile industry whose primary business is not the sale of UNIFI Products to third parties.

For purposes of this Section 11, UNIFI Products means (a) false twist textured polyester and nylon filament yarns; (b) yarn dyed false twist textured polyester and nylon filament yarns; (c) twisted texturized polyester and nylon filament yarns for sewing thread applications; (d) warped yarns and fibers (whether produced through conventional and/or warp drawn methods); and (e) covered spandex (whether covered by conventional or air covering methods).

The parties intend to limit MR. KRETZER's right to compete only to the extent necessary to protect UNIFI from unfair competition. The parties recognize, however, that reasonable people

may differ in making such a determination. Consequently, the parties hereby agree that, if the scope or enforceability of any of the restrictive covenants in this Section 11 or in Section 10 above is in any way disputed at any time, the dispute shall be submitted to arbitration, as provided under Section 19 of this Agreement, and the arbitrator will determine whether the activities in which MR. KRETZER is engaging (or proposes to engage) are covered by Sections 10 or 11 and, if covered, whether they subject (or would subject) UNIFI to unfair competition. If the arbitrator determines that the activities are covered and do (or would) subject UNIFI to unfair competition, then such activities shall be subject to the restrictions of Sections 10 and 11, and MR. KRETZER shall not engage in such activities. If the arbitrator determines that the activities are not covered or do not (or would not) subject UNIFI to unfair competition, then such activities shall not be subject to the restrictions of Sections 10 and 11, and MR. KRETZER shall be free to engage in such activities.

Section 12. Consideration; Breach

(A) In consideration of MR. KRETZER's covenants with respect to the disclosure of confidential information and noncompetition, as provided in Sections 10 and 11 of this Agreement, UNIFI agrees to pay MR. KRETZER the sum of One Million Dollars (\$1,000,000). This amount shall be paid in thirty-six (36) equal monthly installments of \$27,777 each on UNIFI's regular salaried payroll dates, with the first monthly installment being due and payable on February 28, 1999 and a like installment being due and payable on the same date of each calendar month thereafter, to and including January 2002. These payments will be subject to all applicable federal and state taxes. In the event of MR. KRETZER's death before January 31, 2002, the payments thereafter becoming due under this Section 12(A) will be paid to his estate. MR. KRETZER shall be entitled to the payments provided for in this Section 12(A) even if he becomes employed by another company.

(B) MR. KRETZER acknowledges that compliance with Sections 10 and 11 of this Agreement is necessary to protect UNIFI's businesses and goodwill; a breach of said Sections will do irreparable and continual damage to UNIFI and an award of monetary damages would not be adequate to remedy such harm; therefore, in the event he breaches or threatens to breach this Agreement, UNIFI shall be entitled to both a preliminary and permanent injunction in order to prevent the continuation of such harm and monetary damages, insofar as they can be determined, including, without limitation, all reasonable costs and attorney's fees incurred by UNIFI in enforcing the provisions of this Agreement. Nothing in this Agreement, however, shall prohibit UNIFI from also pursuing any other remedies.

(C) For purposes of this Section 12, MR. KRETZER shall be deemed to be in breach of Sections 10 and/or 11 only if UNIFI first gives him written notice of the conduct alleged to constitute a violation of Sections 10 and/or 11 and if, within 30 days after receipt of such written notice, MR. KRETZER then fails either to cease such conduct or to demand arbitration pursuant to the last paragraph of Section 11 of this Agreement. If MR. KRETZER demands arbitration and if the arbitrator determines that the conduct identified by UNIFI is covered by Sections 10 or 11 and subjects UNIFI to unfair competition, then MR. KRETZER shall be deemed to be in breach of Sections 10 and/or 11 only if such conduct continues for more than 30 days following the decision of the arbitrator.

(D) Notwithstanding any breach of this Agreement by MR. KRETZER, UNIFI shall continue to make the payments provided for in Section 1 of this Agreement and in Section 12(A) of this Agreement, in each case without deduction or offset.

Section 13. Releases and Waivers of Each Party

(A) MR. KRETZER hereby fully and unconditionally releases and discharges all claims and causes of action which he or his heirs, personal representatives or assigns ever had or now have or hereafter may have (based on events transpiring on or before the date hereof) against UNIFI, its subsidiaries and their respective officers, directors, employees, counsel and agents, in each case past or present, of whatsoever kind and nature, in law, equity or otherwise, arising out of or in any way connected with his employment, association or other involvement with UNIFI.

(B) UNIFI hereby fully and unconditionally releases and discharges all claims and causes of action which it ever had or now has or hereafter may have (based on events transpiring on or before the date hereof) against MR. KRETZER, in each case past or present, of whatsoever kind and nature, in law, equity or otherwise, arising out of or in any way connected with his employment, association or other involvement with UNIFI.

(C) The foregoing releases and waiver do not extend to rights, benefits, obligations and claims that expressly accrue under and pursuant to the terms of this Agreement or under and pursuant to the terms of the Split-Dollar Agreement (as amended hereby), the Deferral Agreement (as amended hereby), the option agreements (as amended hereby) and the Profit Sharing Plan (subject to the provisions of Section 9 of this Agreement).

Section 14. Waiver of Rights - If, in one or more instances, either party fails to insist that the other party perform any of the terms of this Agreement, such failure shall not be construed as a waiver by such party of any past, present, or future right granted under this Agreement, and the obligations of both parties under this Agreement shall continue in full force and effect.

Section 15. Notices - Any notice required or permitted to be given under this Agreement shall be sufficient, if in writing and if sent by registered or certified mail, postage prepaid, or telecopier to:

William T. Kretzer
3039 Lake Forest Drive
Greensboro, NC 27408
Telecopier: (336) _____

and to:

UNIFI, Inc.
Attn: Willis C. Moore, III
7201 W. Friendly Avenue (27410)
P. O. Box 19109
Greensboro, NC 27419-9109
Telecopier: (336) 294-4751

Section 16. Assignment - The rights and obligations of UNIFI under this Agreement shall inure to the benefit of and be binding upon its successors and assigns; provided, however, that this Agreement is not assignable by UNIFI. UNIFI agrees that it will not merge into, consolidate with, or sell all or substantially all of its assets to any other corporation or business organization unless such successor or purchaser specifically agrees to assume and be bound by all of the terms and conditions of this Agreement or arrangements are made between UNIFI and MR. KRETZER

to secure UNIFI's obligations under this Agreement. This Agreement may not be assigned or otherwise transferred voluntarily or involuntarily by MR. KRETZER.

Section 17. Applicable Law - This Agreement shall be interpreted and construed under the laws of North Carolina.

Section 18. Entire Agreement - This instrument contains the entire agreement of the parties, except that MR. KRETZER acknowledges that he continues to be subject to his Noncompetition Covenant with Parkdale America, LLC dated June 30, 1997. This Agreement may not be changed or altered, except by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

Section 19. Arbitration - In the event of any differences of opinion or disputes, between MR. KRETZER and UNIFI, with respect to the construction or interpretation of this Agreement or the alleged breach thereof, which cannot be settled amicably by agreement of the parties, such disputes shall be submitted to and determined by arbitration by a single arbitrator in the City of Greensboro, North Carolina, in accordance with the rules of the American Arbitration Association and judgment upon the award shall be final, binding and conclusive upon the parties and may be entered in the highest court, state or federal, having jurisdiction.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under their respective hands and seals as of the day and year first above written.

WILLIAM T. KRETZER (SEAL)
WILLIAM T. KRETZER

Witness:

W. C. MOORE III

UNIFI, INC.

By: G. ALLEN MEBANE
 G. Allen Mebane, Chairman
 and Chief Executive Officer

Attest:

CLIFFORD FRAZIER, JR.
Clifford Frazier, Jr., Secretary

SEVERANCE COMPENSATION AGREEMENT

THIS AGREEMENT ("Agreement") between UNIFI, INC., a New York corporation (the "Company"), and BRIAN R. PARKE ("Executive") effective the 1st day of October, 1998.

WITNESSETH:

WHEREAS, BRIAN R. PARKE is a Vice President of the Company and is President of Unifi Textured Yarns Europe, Ltd. ("UTYE"), a wholly-owned subsidiary of the Company located in Letterkenny, Ireland; he had been the General Manager of UTYE for a number of years prior to becoming President in 1993, and is considered as an integral part of the Company's Management; and

WHEREAS, the Company's Board of Directors considers the establishment and maintenance of a sound and vital Management to be essential in protecting and enhancing the best interests of the Company and its Shareholders, recognizes that the possibility of a change in control exists and that such possibility, and the uncertainty and questions which it may raise among Management, may result in the departure or distraction of Management personnel to the detriment of the Company and its Shareholders; and

WHEREAS, the Executive desires that in the event of any change in control he will continue to have the responsibility and status he has earned; and

WHEREAS, the Company's Board of Directors has determined that it is appropriate to reinforce and encourage the continued attention and dedication of the Executive, as a member of the Company's Management, to his assigned duties without distraction in potentially disturbing circumstances arising from the possibility of a change in control of the Company.

NOW, THEREFORE, in order to induce the Executive to remain in the employment of the Company and in consideration of the Executive agreeing to remain in the employment of the Company, subject to the terms and conditions set out below, the Company agrees it will pay such amount, as provided in Section 4 of this Agreement, to the Executive, if the Executive's employment with the Company terminates under one of the circumstances described herein following a change in control of the Company, as herein defined.

Section 1. Term: This Agreement shall terminate, except to the extent that any obligation of the Company hereunder remains unpaid as of such time, upon the earliest of (i) July 20, 2001 if a Change in Control of the Company has not occurred within such period; (ii) the termination of the Executive's employment with the Company based on Death, Disability (as defined in Section 3(b)), Retirement (as defined in Section 3(c)), Cause (as defined in Section 3(d)) or by the Executive other than for Good Reason (as defined in Section 3(e)); and (iii) two years from the date of a Change in Control of the Company if the Executive has not voluntarily terminated his employment for Good Reason as of such time.

Section 2. Change in Control: No compensation shall be payable under this Agreement unless and until (a) there shall have been a Change in Control of the Company, while the Executive is still an employee of the Company and (b) the Executive's employment by the Company thereafter shall have been terminated in accordance with Section 3. For purposes of this Agreement, a Change in Control of the Company shall be deemed to have occurred if: (i) there shall be consummated (x) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock would be converted into cash, securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or (ii) the Shareholders of the Company approved any plan or proposal for the liquidation or dissolution of

the Company; or (iii) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of twenty percent (20%) or more of the Company's outstanding Common Stock; or (iv) during any period of two consecutive years, individuals who at the beginning of such period constitute the entire Board of Directors shall cease for any reason to constitute a majority thereof unless the election, or the nomination for election by the Company's Shareholders, of each new Director was approved by a vote of at least two-thirds of the Directors then still in office who were Directors at the beginning of the period.

Section 3. Termination Following Change in Control: (a) If a Change in Control of the Company shall have occurred while the Executive is still an employee of the Company, the Executive shall be entitled to the compensation provided in Section 4 upon the subsequent termination of the Executive's employment with the Company by the Executive voluntarily for Good Reason or by the Company unless such termination by the Company is as a result of (i) the Executive's Death, (ii) the Executive's Disability (as defined in Section (3)(b) below); (iii) the Executive's Retirement (as defined in Section 3(c) below); (iv) the Executive's termination by the Company for Cause (as defined in Section 3(d) below); or (v) the Executive's decision to terminate employment other than for Good Reason (as defined in Section 3(e) below).

(b) Disability: If, as a result of the Executive's incapacity due to physical or

mental illness, the Executive shall have been absent from his duties with the Company on a full-time basis for six months (including months before and after the change of control) and within 30 days after written notice of termination is thereafter given by the Company the Executive shall not have returned to the full-time performance of the Executive's duties, the Company may terminate this Agreement for "Disability."

(c) Retirement: The term "Retirement" as used in this Agreement shall mean termination in accordance with the Company's retirement policy or any arrangement established with the consent of the Executive.

(d) Cause: The Company may terminate the Executive's employment for Cause. For purposes of this Agreement only, the Company shall have "Cause" to terminate the Executive's employment hereunder only on the basis of fraud, misappropriation or embezzlement on the part of the Executive or malfeasance or misfeasance by said Executive in performing the duties of his office, as determined by the Board of Directors. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause unless and until there shall have been a meeting of the Company's Board of Directors (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board), and the delivery to the Executive of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of said Board of Directors stating that in the good faith opinion of the Board the Executive was guilty of conduct set forth in the second sentence of this Section 3(d) and specifying the particulars thereof in detail.

(e) Good Reason: The Executive may terminate the Executive's employment for Good Reason at any time during the term of this Agreement. For purposes of this Agreement "Good Reason" shall mean any of the following (without the Executive's express written consent): (i) the assignment to the Executive by the Company of duties inconsistent with the Executive's position, duties, responsibilities and status with the Company immediately prior to a Change in Control of the Company; or a change in the Executive's titles or offices as in effect immediately prior to a Change in Control of the Company; or any removal of the Executive from or any failure to reelect the Executive to any of the positions held prior to the change of control, except in connection with the termination of his employment for Disability, Retirement, or Cause, or as a result of the Executive's Death; or by the Executive other than for Good Reason;

(ii) a reduction by the Company in the Executive's base salary as in effect on the date hereof or as the same may be increased from time to time during the term of this Agreement or the Company's failure to increase (within 12 months of the Executive's last increase in base salary) the Executive's base salary after a Change in Control of the Company in an amount which at least equals, on a percentage basis, the average percentage increase in base salary for all executive officers of the Company effected in the preceding 12 months;

(iii) any failure by the Company to continue in effect any benefit plan or arrangement (including, without limitation, the Company's Profit Sharing Plan, group life insurance plan and medical, dental, accident and disability plans) in which the Executive is participating at the time of a Change in Control of the Company (or any other plans providing the Executive with substantially similar benefits) (hereinafter referred to as "Benefit Plans"), or the taking of any action by the Company which would adversely affect the Executive's participation in or materially reduce the Executive's benefits under any such Benefit Plan or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of a Change in Control of the Company;

(iv) any failure by the Company to continue in effect any plan or arrangement to receive securities of the Company (including, without limitation, Stock Option Plans or any other plan or arrangement to receive and exercise stock options, restricted stock or grants thereof) in which the Executive is participating at the time of a Change in Control of the Company (or plans or arrangements providing him with substantially similar benefits) (hereinafter referred to as "Securities Plans") and the taking of any action by the Company which would adversely affect the Executive's participation in or materially reduce the Executive's benefits under any such Securities Plan;

(v) any failure by the Company to continue in effect any bonus plan, automobile allowance plan, or other incentive payment plan in which the Executive is participating at the time of a Change in Control of the Company, or said Executive had participated in during the previous calendar year;

(vi) a relocation of the Company's principal executive offices to a location outside of North Carolina, or the Executive's relocation to any place other than the location at which the Executive performed the Executive's duties prior to a Change in Control of the Company, except for required travel by the Executive on the Company's business to an extent substantially consistent with the Executive's business travel obligations at the time of a Change in Control of the Company;

(vii) any failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled at the time of a Change in Control of the Company;

(viii) any breach by the Company of any provision of this Agreement;

(ix) any failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company; or

(x) any purported termination of the Executive's employment which is not made pursuant to a Notice of Termination satisfying the requirements of Section 3(f).

(f) Notice of Termination: Any termination by the Company pursuant to Section 3(b), 3(c) or 3(d) shall be communicated by a Notice of Termination. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate those specific

termination provisions in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. For purposes of this Agreement, no such purported termination by the Company shall be effective without such Notice of Termination.

(g) Date of Termination: "Date of Termination" shall mean (a) if Executive's employment is terminated by the Company for Disability, 30 days after Notice of Termination is given to the Executive (provided that the Executive shall not have returned to the performance of the Executive's duties on a full-time basis during such 30 day period) or (b) if the Executive's employment is terminated by the Company for any other reason, the date on which a Notice of Termination is given; provided that if within 30 days after any Notice of Termination is given to the Executive by the Company the Executive notifies the Company that a dispute exists concerning the termination, the Date of Termination shall be the date the dispute is finally determined, whether by mutual agreement by the parties or upon final judgment, order or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected) or (c) the date the Executive notifies the Company in writing that he is terminating his employment and setting forth the Good Reason (as defined in Section 3(e)).

Section 4. Severance Compensation upon Termination of Employment. If the Company shall terminate the Executive's employment other than pursuant to Section 3(b), 3(c) or 3(d) or if the Executive shall voluntarily terminate his employment for Good Reason, then the Company shall pay to the Executive as severance pay in a lump sum, in cash, on the fifth day following the Date of Termination, an amount equal to 2.99 times the annualized aggregate annual compensation paid to the Executive by the Company or any of its subsidiaries during the five calendar years preceding the Change in Control of the Company; provided, however, that if the lump sum severance payment under this Section 4, either alone or together with other payments which the Executive has the right to receive from the Company, would constitute a "parachute payment" (as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code")), such lump sum severance payment shall be reduced to the largest amount as will result in no portion of the lump sum severance payment under this Section 4 being subject to the excise tax imposed by Section 4999 of the Code. The determination of any reduction in the lump sum severance payment under this Section 4 pursuant to the foregoing proviso shall be made by the Company's Independent Certified Public Accountants, and their decision shall be conclusive and binding on the Company and the Executive.

Section 5. No Obligation to Mitigate Damages; No Effect on Other Contractual Rights: (a) The Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer after the Date of Termination, or otherwise.

(b) The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish the Executive's rights under any employment agreement or other contract, plan or employment arrangement with the Company.

(c) The Company shall, upon the termination of the Executive's employment other than by Death, Disability (as defined in Section 3(b)), Retirement (as defined in Section 3(c)) or Cause (as defined in Section 3(d)), or the termination of the Executive's employment by the Executive without Good Reason, maintain in full force and effect, for the Executive's continued benefit until the earlier of (a) two years after the Date of Termination or (b) Executive's commencement of full time employment with a new employer, all life insurance, medical, health and accident, and

disability plans, programs or arrangements in which he was entitled to participate immediately prior to the Date of Termination, provided that his continued participation is possible under the general terms and provisions of such plans and programs. In the event the Executive is ineligible under the terms of such plans or programs to continue to be so covered, the Company shall provide substantially equivalent coverage through other sources.

(d) The Executive's account and rights in and under Unifi, Inc.'s Profit Sharing Plan and Trust, Unifi, Inc.'s Retirement Savings Plan and any other retirement benefit or incentive plans, shall remain subject to the terms and conditions of the respective plans as they existed at the time of the termination of the Executive's employment.

Section 6. Successor to the Company: (a) The Company will require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement expressly, absolutely and unconditionally to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Any failure of the Company to obtain such agreement prior to the effectiveness of any such succession or assignment shall be a material breach of this Agreement and shall entitle the Executive to terminate the Executive's employment for Good Reason. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor or assign to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 6 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. If at any time during the term of this Agreement the Executive is employed by any corporation a majority of the voting securities of which is then owned by the Company, "Company" as used in Sections 3, 4 and 11 hereof shall in addition include such employer. In such event, the Company agrees that it shall pay or shall cause such employer to pay any amounts owed to the Executive pursuant to Section 4 hereof.

(b) If the Executive should die while any amounts are still payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's legatee, or other designee or, if there be no such designee, to the Executive's estate. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives or attorney-in-fact, executors or administrators, heirs, distributees and legatees.

Section 7. Notice: For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, as follows:

If to the Company:

Unifi, Inc.
P. O. Box 19109
Greensboro, NC 27419-9109

ATTENTION: Mr. William T. Kretzer
President and Chief Executive Officer

If to the Executive:

Mr. BRIAN R. PARKE
Unifi Textured Yarns Europe, Ltd.
Letterkenny, County Donegal, Ireland

or such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

Section 8. Miscellaneous: (a) The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(b) Any payment or delivery required under this Agreement shall be subject to all requirements of the law with regard to withholding (including FICA tax), filing, making of reports and the like, and Company shall use its best efforts to satisfy promptly all such requirements.

(c) Prior to the Change in Control of the Company, as herein defined, this Agreement shall terminate if Executive shall resign, retire, become permanently and totally disabled, or die. This Agreement shall also terminate if Executive's employment as an executive officer of the Company shall have been terminated for any reason by the Board of Directors of the Company as constituted more than three (3) months prior to any Change in Control of the Company, as defined in Section 2 of this Agreement.

Section 9. Legal Fees and Expenses: The Company shall pay all legal fees and expenses which the Executive may incur as a result of the Company's contesting the validity, enforceability or the executive's interpretation of, or determinations under, this Agreement.

Section 10. Confidentiality: The Executive shall retain in confidence any and all confidential information known to the Executive concerning the Company and its business so long as such information is not otherwise publicly disclosed.

IN WITNESS WHEREOF, Unifi, Inc. has caused this Agreement to be signed by a member of the Company's Compensation Committee who is an outside director pursuant to resolutions duly adopted by the Board of Directors and its seal affixed hereto and the Executive has hereunto affixed his hand and seal effective as of the date first above written. UNIFI, INC.

BY: ROBERT A. WARD (SEAL)
Compensation Committee

BRIAN R. PARKE (SEAL)
BRIAN R. PARKE
Vice President

AGREEMENT

This AGREEMENT ("Agreement") effective as of the 1st day of February, 1999, by and between UNIFI, INC., a New York corporation, with its executive offices in Greensboro, North Carolina, (hereinafter referred to as "UNIFI" or "Company"), and JERRY W. ELLER, of Yadkin County, North Carolina, (hereinafter referred to as "MR. ELLER");

R E C I T A L:

WHEREAS, MR. ELLER has been a director since 1985 and an executive officer of UNIFI since 1981, and has headed up the designing and building of the Company's plants and additions thereto, the installation, maintenance and operation of the equipment, and other essential areas in relation to the manufacturing of the Company's products, both domestic and international, and at the present time is an Executive Vice President and a member of the Board of Directors; and

WHEREAS, MR. ELLER desires to reduce his workload and has discussed the matter with management and management, realizing the expertise and ability of MR. ELLER in the aforementioned areas, as well as the operations of UNIFI in general, deem it in the best interest of UNIFI that MR. ELLER remain in its employment;

NOW, THEREFORE, in consideration of these presents and the mutual agreements herein contained and intending to be legally bound thereby, the parties agree as follows:

This Agreement, under Part A, covers the terms and conditions of MR. ELLER's continued employment and, under Part B, sets out the conditions of UNIFI, its successors and assigns, and MR. ELLER and his estate, as the case may be, upon termination of MR. ELLER's employment with the Company (severance or retirement), and Part C sets forth general provisions that apply to both MR. ELLER's continued employment and retirement, and upon execution of this Agreement, the provisions of Part A, Part B and Part C shall be legally binding on UNIFI, its successors and assigns, and MR. ELLER and his estate.

PART A. EMPLOYMENT

Section 1. Employment - UNIFI hereby continues the employment of MR. ELLER and MR. ELLER does hereby accept continued employment in an executive officer's capacity, with such title as the Board of Directors may designate from time to time.

Section 2. Term of Employment -

(A) Term - The term of MR. ELLER's employment shall be for a period of two (2) years, commencing on the first day of February, 1999, and terminating on February 1, 2001 ("Termination Date"), unless earlier terminated as hereinafter provided in this Part A.

(B) Acceleration - MR. ELLER's termination of employment with UNIFI can be accelerated by MR. ELLER and UNIFI mutually consenting to the acceleration of said Termination Date to such earlier date as agreed upon.

Section 3. Duties - MR. ELLER, during the continuation of his employment, shall have such duties as assigned to him by the Chief Executive Officer and/or the President and Chief Operating Officer in the areas of operation and management in which he is presently engaged, or such duties as might be assigned to him by the Board of Directors of UNIFI.

Section 4. Consideration - For services rendered by MR. ELLER during the term of his continued employment, UNIFI agrees to pay to MR. ELLER the same base salary he is receiving

as of the date of this Agreement, subject to being changed from time to time by the Board of Directors, payable in installments in the same frequency as other executive officers are paid, plus such additional compensation and bonuses as may be awarded from time to time to MR. ELLER by the Board of Directors.

Section 5. Fringe Benefits - This Agreement is not intended to and shall not be deemed in lieu of any rights, benefits, and privileges to which MR. ELLER may be entitled to as an employee of the Company under any retirement, profit sharing, insurance, hospitalization or other plans which may now be in effect or which may hereafter be adopted, it being understood that MR. ELLER shall have the same rights and privileges to participate in any such plans and benefits provided for other executive officers or key employees of UNIFI during this period of employment.

MR. ELLER during the term of his employment shall be entitled to any other benefits he was receiving as an employee and executive officer of the Company prior to the effective date of this Agreement. Provided, however, MR. ELLER agrees that he will not be entitled to and waives his right to share in the contributions, if any, made to the Unifi, Inc. Profit Sharing Plan and Trust ("the Plan") for the fiscal year in which his employment terminates. MR. ELLER hereby agrees to indemnify and hold harmless UNIFI, its directors, officers and employees, as well as the Plan, for any amounts that may be assessed against each and every one of the foregoing for his not sharing in such contribution, if any, as made to the Plan for fiscal year ended the year in which his employment terminates.

Section 6. Disability and Death - In the event MR. ELLER becomes permanently disabled as that term is defined in the Company's group disability insurance policy covering MR. ELLER, or dies ("disability or death date") prior to February 1, 2001, or the agreed upon date provided for in paragraph (B) of Section 2 above, the date of disability or death shall be the Termination Date of MR. ELLER's employment with the Company.

Section 7. Option Grants - Regarding option grants:

(A) MR. ELLER was granted options under the Unifi, Inc. 1992 Incentive Stock Option Plan and the Unifi, Inc. 1996 Incentive Stock Option Plan. Stock option agreements dated 10/27/92, 10/21/93, 9/22/94, 4/18/95, and 10/22/98 were entered into in relation to the respective stock option grants. All options which have not been exercised shall be canceled and the respective stock option agreements terminated. New stock options will be granted to MR. ELLER under the Unifi, Inc. 1996 Non-Qualified Stock Option Plan for the number of unexercised shares, at the purchase price per share, and terminating as set forth in the above-referenced respective incentive stock option agreements, a copy of the new Non-Qualified Stock Option Agreement being attached hereto as Exhibit "A".

(B) MR. ELLER was previously granted stock options under the Unifi, Inc. 1996 Non-Qualified Stock Option Plan and stock option agreements were entered into with respect to said grants. The stock option agreements will be amended, with a copy of said amendments being attached hereto as Exhibits "B-1" and "B-2".

PART B. RETIREMENT

Section 1. Retirement - The parties hereto agree that upon the termination of MR. ELLER's employment, as provided in Part A of this Agreement, the provisions of this Part B are activated upon the Termination Date.

Section 2. Consideration - UNIFI agrees to pay MR. ELLER the following amounts:

(A) The sum of One Hundred Twenty-Six Thousand Dollars and No/100 (\$126,000.00) within ten (10) days after termination of his employment with UNIFI, to wit: February 1, 2001 or such earlier date as provided for in Part A above. This amount shall be paid by check to MR. ELLER or wired to such account as MR. ELLER directs from time to time. This payment will be subject to all applicable federal and state taxes.

(B) In addition to the payment provided for under (A) above, UNIFI shall pay to MR. ELLER the sum of One Million One Hundred Sixty Thousand Dollars and No/100 (\$1,160,000.00). This amount shall be paid in thirty-six (36) equal monthly installments of \$32,222.22 each on UNIFI's regular salaried payroll dates, with the first monthly installment being due and payable on February 1, 2001, or the first day of the month in which MR. ELLER's employment is terminated, as provided in Part A of this Agreement, and a like installment being due and payable on the same date of each calendar month thereafter, until the sum of \$1,160,000.00 has been paid in full. These payments will be subject to all applicable federal and state taxes.

Section 3. Medical and Dental Insurance - UNIFI will continue to provide MR. ELLER medical and dental coverage similar to medical and dental coverage provided regular employees covered by the terms of the Unifi, Inc. Employee Welfare Benefit Plan until the earliest to occur of the last day of the month in which MR. ELLER attains the age of sixty-five (65) years or obtains employment with another company. MR. ELLER shall be eligible to continue to receive medical and dental benefits in order that he may obtain coverage for himself and for his Dependents, as the term "Dependents" is defined in the Medical Plan, and so that the following shall apply to coverage of MR. ELLER and his Dependents:

(A) As a condition of coverage of MR. ELLER, he must pay for each month of coverage an amount equal to the premium paid for such month by an active employee for coverage under the Medical Plan. During the time when the Severance Payment installments are being made, such premiums shall be paid by deductions from such installments unless UNIFI in its sole discretion agrees otherwise. Thereafter, such premiums shall be due on the first day of the month to which they apply, and the medical and dental coverage shall be terminated unless such premiums are received when due, without any grace period.

(B) As a condition of coverage of a Dependent, MR. ELLER must pay for each month of coverage an amount equal to the premium paid for such month by any active employee for coverage of a Dependent under the Medical Plan. During the time when the Severance Payment installments are being made, such premiums shall be paid by deductions from such installments unless UNIFI in its sole discretion agrees otherwise. Thereafter, such premiums shall be due on the first day of the month to which they apply, and the medical and dental coverage shall be terminated unless such premiums are received when due, without any grace period.

(C) The terms of medical and dental coverage for MR. ELLER and his Dependents at any given time shall be the terms applicable to active employees and their Dependents at such time. It is explicitly understood and agreed that any amendments to or alteration of the Medical Plan (including any amendment terminating the Medical Plan) may be applicable to MR. ELLER and his Dependents without regard to whether the amendment or alteration was adopted or made before or after the Effective Date, and/or the date MR. ELLER entered into this Agreement

and/or chose not to revoke this Agreement. It is explicitly understood and agreed that a Dependent will lose medical and dental coverage as of the first day of the month next following MR. ELLER's sixty-fifth (65) birthday, regardless of the Dependent's age, unless the Dependent has lost coverage earlier. It is explicitly understood and agreed that no benefits under the Employee Welfare Plan will be provided (including, without limitation, benefits under the portions of the Welfare Benefit Plan that provide benefits in the event of disability, life insurance coverage, and accidental death and dismemberment coverage) except as specifically provided herein.

Section 4. COBRA, etc. - It is understood that this Agreement does not waive or abrogate MR. ELLER's entitlement to health insurance benefits under COBRA or to vested retirement funds in UNIFI's retirement plan. Any retirement benefits to which MR. ELLER is entitled shall be governed by the terms of the retirement plan.

Section 5. Other Benefits - MR. ELLER agrees that no provision is granted for continued vacation pay, automobile allowance, education renewal, tuition reimbursement, or mobile telephone service after the Termination Date of his employment, as provided in Part A of this Agreement, and that he will return to UNIFI all company property, documents, notes, software, programs, data and any other materials (including any copies thereof) in his possession.

Section 6. Split Dollar Insurance - MR. ELLER shall have the option to buy the life insurance policy or policies on his life, currently owned or assigned by or to UNIFI on a Split Dollar Arrangement, from UNIFI or have the respective policy or policies continue in effect as follows:

(A) To purchase said policy or policies by paying the amount of the cash surrender value of the same; or

(B) The amount of the premiums UNIFI has previously paid on said policy or policies; or

(C) Have the policy or policies continue in effect under Section 9(b)(i) of the Executive Split Dollar Life Insurance Agreement between UNIFI and MR. ELLER, dated July 1, 1990, with UNIFI being obligated to continue paying the premiums on said policy or policies, provided MR. ELLER continues to make the required premium contributions until the Termination Date.

MR. ELLER must exercise one of the foregoing options by giving UNIFI written notice thereof at or any time before the Termination Date of his employment, as provided in Part A of this Agreement. In the event MR. ELLER elects either option (A) or option (B), he shall make payment to UNIFI within three (3) months after the termination of his employment, as provided in Part A of this Agreement.

Section 7. Taxes - MR. ELLER will be responsible for any federal, state or local taxes which may be owed by him by virtue of the receipt of any portion of the consideration herein provided.

Section 8. Consents of MR. ELLER - MR. ELLER agrees that:

(A) The only type of insurance that UNIFI is to provide him is medical and dental insurance, as provided in Section 2 of this Part B;

(B) He is not entitled to and waives his right to share in the contribution, if any, made to UNIFI's Profit Sharing Plan and Trust for the fiscal year in which his employment under Part A terminates. MR. ELLER hereby agrees to indemnify and hold harmless UNIFI, its directors, officers and employees, as well as UNIFI's Profit Sharing Plan and Trust, for any amounts that may be assessed against each and everyone of the foregoing for his not sharing in such contribution, if any, made to the Profit Sharing Plan for the fiscal year in which his employment under Part A terminates.

PART C. MISCELLANEOUS

The provisions of this Part C are applicable during the continued employment of MR. ELLER under Part A and his retirement under Part B of this Agreement.

Section 1. Disclosure of Confidential Information - MR. ELLER agrees that:

(A) For a period of five (5) years from the date of this Agreement, he will not disclose or make available to any person or other entity any trade secrets, confidential information, as hereinafter defined, or "know-how" relating to UNIFI's, its affiliates' and subsidiaries', businesses without written authority from UNIFI's President or Board of Directors, unless he is compelled to disclose it by judicial process.

Confidential Information - shall mean all information about UNIFI, its affiliates or subsidiaries, or relating to any of their products or any phase of their operations, not generally known to their competitors or which is not public information, which MR. ELLER knows or acquired knowledge of during the term of his employment.

(B) Documents - under no circumstances shall MR. ELLER remove from UNIFI's offices any of UNIFI's books, records, documents, customer lists, or any copies of such documents without UNIFI's written consent, nor shall he make any copies of UNIFI's books, records, documents, or customer lists for use outside of UNIFI, except as specifically authorized in writing by the President or Board of Directors of UNIFI.

Section 2. Non-Compete - MR. ELLER agrees that he will not directly or indirectly, for a period of five (5) years from the date of this Agreement, own any interest in, other than ownership of less than two percent (2%) of any class of stock of a publicly held corporation, manage, operate, control, being employed by, render advisory services to, act as a consultant to, participate in, assessed or be connected with any competitor, as hereinafter defined, unless approved by the President of UNIFI.

Competitor - shall mean any company engaged in the business of developing, producing, or distributing a product similar to any product produced by UNIFI, its affiliates or subsidiaries, prior to the date of this Agreement.

Section 3. Right of First Refusal - MR. ELLER agrees to provide UNIFI with a written offer of First Right of Refusal of any product or technology developed by him for a company he owns, has an interest in, or is employed by during the five (5) year covenant not to compete period provided in Section 1 of this Part C. UNIFI will, within fifteen (15) days after receipt of said offer, give MR. ELLER written notice of its acceptance or counteroffer thereof.

Section 4. Breach - MR. ELLER acknowledges that compliance with Sections 1, 2 and 3 of this Part C is necessary to protect UNIFI's businesses and goodwill; a breach of said paragraph will do irreparable and continual damage to UNIFI and an award of monetary damages would not

be adequate to remedy such harm; therefore, in the event he breaches or threatens to breach this Agreement, UNIFI shall be entitled to both a preliminary and permanent injunction in order to prevent the continuation of such harm and monetary damages, in so far as they can be determined, including, without limitation, all reasonable costs and attorneys fees, incurred by UNIFI in enforcing the provisions of this Agreement. Provided, however, that MR. ELLER shall have thirty (30) days within which to cure any breach of the provisions of Sections 3 and 4 of this Part C. Nothing in this Agreement however, shall prohibit UNIFI from also pursuing any other remedies.

Section 5. Releases and Waivers of Each Party - The parties hereto agree as follows:

(A) MR. ELLER hereby fully and unconditionally releases and discharges all claims and causes of action which he or his heirs, personal representatives or assigns ever had, or now have, or hereafter may have (based on events transpiring on or before the Termination Date set forth in Part A hereof) against UNIFI, its subsidiaries and their respective officers, directors, employees, counsel and agents, in each case past or present, of whatsoever kind and nature, in law, equity or otherwise, arising out of or in any way connected with his employment, association or other involvement with UNIFI; and

(B) UNIFI hereby fully and unconditionally releases and discharges all claims and causes of action which it, its successors or assigns ever had, or now have, or hereafter may have (based on events transpiring on or before the Termination Date set forth in Part A hereof) against MR. ELLER, his heirs, personal representatives or assigns, in each case past or present, of whatsoever kind and nature, in law, equity or otherwise, arising out of or in any way connected with his employment, association or other involvement with UNIFI.

Section 6. Waiver of Rights - If, in one or more instances, either party fails to insist that the other party perform any of the terms of this Agreement, such failure shall not be construed as a waiver by such party of any past, present, or future right granted under this Agreement, and the obligations of both parties under this Agreement shall continue in full force and effect.

Section 7. Termination - This Agreement shall terminate and UNIFI shall have no further obligations or responsibility under this Agreement except as provided in this section, upon the occurrence of any of the following events:

(A) UNIFI and MR. ELLER mutually agree in writing to terminate this Agreement.

(B) The death of MR. ELLER, subject to the payment of any sums due MR. ELLER at the time of his death by UNIFI under Part A of this Agreement and the outstanding amount payable to MR. ELLER or his estate under Section 2 of Part B, and the payment of any sums due MR. ELLER's estate or other designated beneficiaries under any life, disability or other insurance programs or policies of UNIFI, covering MR. ELLER.

(C) UNIFI may terminate this Agreement immediately on MR. ELLER's breach of any provisions of the disclosure of confidential information, documents, and covenant not to compete, in Sections 1, 2 and 3 of this Part C.

Section 8. Survival - The obligations contained in Sections 1, 2, 3, and 4, of this Part C shall survive the termination of this Agreement. In addition, the termination of this Agreement shall not affect any of the rights or obligations of either party arising prior to, or at the time of, the

termination of this Agreement, or which may arise by any event causing the termination of this Agreement.

Section 9. Notices - Any notice required or permitted to be given under this Agreement shall be sufficient, if in writing and if sent by registered or certified mail, postage prepaid, or telecopier to:

JERRY W. ELLER
2100 Maynard Road
Yadkinville, NC 27055

and to:

UNIFI, INC.
Attn: Willis C. Moore, III
7201 W. Friendly Avenue (27410)
P.O. Box 19109
Greensboro, NC 27419-9109
Fax: (910) 294-4751

Section 10. Assignment - The rights and obligations of UNIFI under this Agreement shall inure to the benefit of and be binding upon its successors and assigns; provided, however, that this Agreement is not assignable by UNIFI except as part of a merger, consolidation or sale of all or substantially all of UNIFI's assets as a going business to any other corporation or business organization. UNIFI agrees that it will not merge into, consolidate with, or sell all or substantially all of its assets to any other corporation or business organization unless such successor or purchaser specifically agrees to assume and be bound by all of the terms and conditions of this Agreement or arrangements are made between UNIFI and MR. ELLER to secure UNIFI's obligations under this Agreement.

This Agreement may not be assigned or otherwise transferred by MR. ELLER.

Section 11. Applicable Law - This Agreement shall be interpreted and construed under the laws of North Carolina.

Section 12. Entire Agreement - This instrument contains the entire agreement of the parties. It may not be changed or altered, except by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

Section 13. Arbitration - In the event of any differences of opinion or disputes, between MR. ELLER and UNIFI, with respect to the construction or interpretation of this Agreement or the alleged breach thereof, which can not be settled amicably by agreement of the parties, such disputes shall be submitted to and determined by arbitration by a single arbitrator in the City of Greensboro, North Carolina, in accordance with the rules of the American Arbitration Association and judgment upon the award shall be final, binding and conclusive upon the parties and may be entered in the highest court, state or federal, having jurisdiction.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under their respective hands and seals as of the day and year first above written.

JERRY W. ELLER (SEAL)
JERRY W. ELLER

Witness:

UNIFI, INC.

BY: WILLIS C. MOORE, III

Attest:

CLIFFORD FRAZIER, JR.
Clifford Frazier, Jr.
Secretary

UNIFI, INC. Exhibit "A"

1998 NON-QUALIFIED STOCK OPTION AGREEMENT

THIS OPTION AGREEMENT, effective the 31st day of January, 1999, by and between UNIFI, INC., a New York corporation (hereinafter called "Corporation"), and JERRY W. ELLER, a Director and Executive Officer of the Corporation (hereinafter called "Optionee").

The Board of Directors considers the Optionee to be eligible and it desirable that he be granted an option to acquire shares of common stock of the Corporation under the Unifi, Inc. 1996 Non-Qualified Stock Option Plan (the "Plan"), adopted by the Board of Directors on April 18, 1996,

and ratified and approved by the Shareholders of the Corporation at their Annual Meeting held on October 24, 1996.

NOW, THEREFORE, in consideration of these premises, it is agreed as follows:

Section 1. Grant of Option. The Corporation hereby grants to Optionee the right, privilege, and option to purchase 111,145 shares of its common stock in the manner and subject to the conditions hereinafter set forth.

Section 2. Time of Exercise of Option. The Option granted under Section 1 of this Agreement shall be in increments, at a purchase price, vest, exercisable and expire as follows:

(A) 15,000 shares, at a purchase price of \$24.667 per share, vest and are exercisable immediately upon execution of this Agreement, subject to the provisions of Section 5 hereof, and expire on October 27, 2002;

(B) 10,000 shares, at a purchase price of \$24.375 per share, vest and are exercisable immediately upon execution of this Agreement, subject to the provisions of Section 5 hereof, and expire on October 21, 2003;

(C) 21,145 shares, at a purchase price of \$23.875 per share, vest and are exercisable immediately upon execution of this Agreement, subject to the provisions of Section 5 hereof, and expire on September 22, 2004;

(D) 50,000 shares, at a purchase price of \$25.25 per share, vest and are exercisable immediately upon execution of this Agreement, subject to the provisions of Section 5 hereof, and expire on April 18, 2005; and

(E) 15,000 shares, at a purchase price of \$16.3125 per share, vest and are exercisable immediately upon the execution of this Agreement, subject to the provisions of Section 5 hereof, and expire on October 22, 2008.

Section 3. Method of Exercise. The Option shall be exercised by written notice directed to Mr. Willis C. Moore, III, Senior Vice President and Chief Financial Officer of the Corporation, or Mr. Robert A. Ward, or such other Officer as hereafter designated by the Board of Directors ("Designated Officer") at the Corporation's principal office in Greensboro, North Carolina, or at such other office as the Corporation may designate. Such notice shall (a) set forth the number of full shares which are being exercised, (b) be signed by the person exercising the Option, (c) be accompanied by a certified or other check acceptable to the Corporation made payable to the order of the Corporation for the full purchase price of such shares or by a certificate or certificates of Unifi, Inc. common stock, the fair market value of which on the New York Stock Exchange at the close of business on the date said notice is received by the Corporation, shall equal or exceed the Option price, said certificate or certificates being duly endorsed, and (d) be accompanied by a signed investment representation letter as provided in Section 8 hereof. Such exercise shall be effective only when said properly executed notice accompanied by check or stock certificates, as referred to above, are received by Mr. Moore, Mr. Ward, or such other Designated Officer as the Corporation may from time to time designate for such purpose. The certificate or certificates for the shares issued upon the exercise of an Option or part thereof and any shares delivered to the Corporation under subparagraph (c) of this Section 3, in excess of the Option price shall be issued or reissued, as the case may be, in the name of the person exercising the Option, and shall be

delivered to such person. All shares issued as provided herein, will be fully paid and non-assessable.

Section 4. Withholding. Optionee, upon the exercise of an Option granted to him under this Agreement, shall pay to the Corporation in cash the amount of any tax or other amount required by any governmental authority to be withheld and paid over by the Corporation to such authority for the account of such Optionee. Notwithstanding the foregoing, the Optionee may satisfy this obligation in whole or in part, and any other local, state or federal income tax obligations resulting from the exercise or the surrender of an Option, by electing to deliver to the Corporation shares owned by the Optionee at the time of the exercise or surrender, or to have the Corporation withhold shares from the shares to which the Optionee is entitled. The number of shares to be delivered or withheld shall have a fair market value as of the date the amount of tax to be withheld is determined, those being withheld being as nearly equal to (but not exceeding) the amount of such obligation being satisfied as possible.

Section 5. Termination of Option. Except as herein otherwise stated, the Option to the extent not heretofore exercised shall terminate upon the first to occur of the following dates:

(A) In the event of the death of the Optionee, the Administrator of the deceased Optionee's estate, the Executor under his Last Will and Testament, or the person or persons to whom the stock Option shall have been validly transferred by such Executor or Administrator pursuant to the Last Will and Testament or the Intestacy Succession Laws of North Carolina shall have the right within six (6) months of the date of the Optionee's death, but not beyond the expiration date of the Option, to exercise such Option to the extent exercisable by the Optionee at the date of his death, except that the Board of Directors may, in its discretion, accelerate the date for exercising all or any part of the Option which was not otherwise exercisable on the Optionee's death or Termination Date; and

(B) The expiration dates for the number of shares set forth in Sections 2(A), (B), (C), (D) and (E) hereof.

Section 6. Reclassification, Consolidation, or Merger. If and to the extent that the number of issued shares of common stock of the Corporation shall be increased or reduced by change in par value, split up, reclassification, distribution of a dividend payable in stock, or the like, the number of shares subject to option and the Option price per share shall be proportionately adjusted.

If the Corporation is reorganized or consolidated or merged with another corporation, Optionee shall be entitled to receive options covering shares of such reorganized, consolidated, or merged company in the same proportion, at an equivalent price, and subject to the same conditions. For purposes of the preceding sentence, the excess of the aggregate fair market value of the shares subject to the option immediately after the reorganization, consolidation, or merger over the aggregate option price of such shares shall not be more than the excess of the aggregate fair market value of all shares subject to the Option immediately before such reorganization, consolidation, or merger over the aggregate Option price of such shares, and the new option or assumption of the old Option shall not give Optionee additional benefits which he did not have under the old Option, or deprive him of benefits which he had under the old Option.

Section 7. Restrictive Legend. The certificates issued under this Option, upon exercise thereof by the Optionee, shall carry a restrictive legend as follows:

The shares evidenced by this certificate have not been registered under the Federal Securities Act of 1933 ("the '33 Act"), as amended, and may not be hypothecated, sold, transferred or otherwise

disposed of in the absence of a registration under the '33 Act or an exemption from registration under applicable security laws, including Rule 144 under the '33 Act, or an opinion from counsel satisfactory to the Corporation prior to the proposed transaction that registration is not required under the '33 Act.

Section 8. Purchase For Investment. By accepting this Option, the Optionee agrees that any shares of common stock purchased upon the exercise of this Option shall be acquired for investment and not for distribution, and that each notice of the exercise of any portion of this Option shall be accompanied by the following representation in writing signed by him or such other person as may be exercising this Option under the provisions of paragraph (A) of Section 5 hereof:

I hereby warrant and represent that the shares being acquired by me pursuant hereto are being acquired by me with my own funds for investment for my own account and not with a view to offer for sale, or for sale in connection with the distribution or transfer thereof. I further warrant and represent that I am neither participating in or have a direct or indirect participation in the distribution or transfer of such shares, nor am I participating in or have a participation in the direct or indirect underwriting of any such distribution or transfer of the shares.

Section 9. Listing of Shares. Although the shares reserved for issue under the "Unifi, Inc. 1996 Non-Qualified Stock Option Plan", of which the Option shares are a part, have been registered with the Securities and Exchange Commission and listed on the New York Stock Exchange, the Optionee covenants, agrees, warrants and represents that PRIOR to any proposed sale, pledge, hypothecation, gift or transfer, for value or otherwise, of any or all of the shares or any interest therein of any shares received upon exercising this Option (transfer), he shall:

(A) give written notice to the Corporation expressing his desires to effect a transfer and describe in detail such proposed transfer;

(B) deliver to the Corporation such other information in relation to the proposed transfer as the Corporation may request.

The Corporation thereafter, if, in the opinion of the Designated Officer or the Corporation's counsel the transfer cannot be made without further registration under the Act and/or applicable State Securities Laws, shall promptly notify Optionee in writing, and the transfer shall not be made unless such registration is then in effect.

The Corporation reserves the right to file such further registration of the stock covered by the Plan as it deems necessary with the Securities and Exchange Commission and New York Stock Exchange, and in connection therewith, to make any changes to the provisions of this Agreement as necessary to affect such future action.

Section 10. Rights Prior to Exercise of the Option. This Option is nontransferable by the Optionee, except in the event of his death, as provided in paragraph (A) of Section 5, and during his lifetime is exercisable only by him. Optionee shall have no right as a Shareholder with respect to the Option shares until payment of the Option price, and delivery to him of such shares as herein provided.

Section 11. SEC Rules and Regulations. The Option granted to the Optionee, by the Board of Directors under this Agreement, is intended to meet the eligibility requirements of the Securities and Exchange Commission's ("SEC") proposed new Rule 16b-3 issued October 1995, entitled

"Transactions Between an Issuer and its Directors or Officers". Dependent upon future actions of the SEC, the Option may not be exempt under Rule 16b-3 and, therefore, may be subject to Rule 16b, the so-called "Short Swing Profit Rule", which provides for the disgorgement of any profits realized by the Optionee, as an insider, from the purchase and sale (or sale and purchase) of any of the Corporation's common stock within a six month period. The Corporation recommends that the Optionee consult with counsel, or Mr. Willis C. Moore, III, or Mr. Robert A. Ward of the Corporation, prior to exercising an Option.

Section 12. Binding Effect. All rights of the Optionee hereunder are subject to the terms and provisions of the Unifi, Inc. 1996 Non-Qualified Stock Option Plan, and to such interpretive rules and regulations relating to the Plan as may be prescribed from time to time by the Board of Directors of the Corporation.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be duly executed by its Officers, and the Optionee has hereunto set his hand and seal.

UNIFI, INC.

BY: WILLIS C. MOORE, III

Attest:

C. CLIFFORD FRAZIER, JR.
Secretary

JERRY W. ELLER
Optionee

1996 NON-QUALIFIED STOCK OPTION AMENDMENT

THIS FIRST AMENDMENT, effective the 31st day of January, 1999, to the 1996 Non-Qualified Stock Option Agreement, effective April 18, 1996 ("Option Agreement") by and between UNIFI, INC., a New York corporation (hereinafter called "Corporation"), and JERRY W. ELLER, a Director and Executive Officer of the Corporation (hereinafter called "Optionee");

W I T N E S S E T H:

WHEREAS, the Optionee was granted an option under the 1996 Non-Qualified Stock Option Plan ("Plan"), as adopted by the shareholders of the Corporation, said option being granted in the Option Agreement effective April 18, 1996, which is being amended herein as follows: Section 4 of the Option Agreement effective April 18, 1996 shall be deleted and rewritten as follows:

Section 4. Termination of Option. Except as herein otherwise stated, the Option to the extent not heretofore exercised shall terminate upon the first to occur of the following dates:

(a) In the event of the death of the Optionee, the Administrator of the deceased Optionee's estate, the Executor under his Last Will and Testament, or the person or persons to whom the stock Option shall have been validly transferred by such Executor or Administrator pursuant to the Last Will and Testament or the Intestacy Succession Laws of North Carolina shall have the right within six (6) months of the date of the Optionee's death, but not beyond the expiration date of the Option, to exercise such Option to the extent exercisable by the Optionee at the date of his death, except that the Board of Directors may, in its discretion, accelerate the date for exercising all or any part of the Option which was not otherwise exercisable on the Optionee's death or Termination Date; and

(b) April 17, 2006, being the expiration of ten (10) years from the effective date of the option granted hereunder.

IN WITNESS WHEREOF, the Corporation has caused this First Amendment to be duly executed by its Officers, and the Optionee has hereunto set his hand and seal.

UNIFI, INC.

BY: WILLIS C. MOORE, III

Attest:

C. CLIFFORD FRAZIER, JR.
Secretary

JERRY W. ELLER (SEAL)
Optionee

UNIFI, INC. Exhibit "B-2"

1996 NON-QUALIFIED STOCK OPTION AMENDMENT

THIS FIRST AMENDMENT, effective the 31st day of January, 1999, to the 1996 Non-Qualified Stock Option Agreement, effective April 17, 1997 ("Option Agreement") by and between UNIFI, INC., a New York corporation (hereinafter called "Corporation"), and JERRY W. ELLER, a Director and Executive Officer of the Corporation (hereinafter called "Optionee");

W I T N E S S E T H:

WHEREAS, the Optionee was granted an option under the 1996 Non-Qualified Stock Option Plan ("Plan"), as adopted by the shareholders of the Corporation, said option being granted in the Option Agreement effective April 17, 1997, which is being amended herein as follows; Section 5 of the Option Agreement effective April 17, 1997 shall be deleted and rewritten as follows:

Section 5. Termination of Option. Except as herein otherwise stated, the Option to the extent not heretofore exercised shall terminate upon the first to occur of the following dates:

(a) In the event of the death of the Optionee, the Administrator of the deceased Optionee's estate, the Executor under his Last Will and Testament, or the person or persons to whom the stock Option shall have been validly transferred by such Executor or Administrator pursuant to the Last Will and Testament or the Intestacy Succession Laws of North Carolina shall have the right within six (6) months of the date of the Optionee's death, but not beyond the expiration date of the Option, to exercise such Option to the extent exercisable by the Optionee at the date of his death, except that the Board of Directors may, in its discretion, accelerate the date for exercising all or any part of the Option which was not otherwise exercisable on the Optionee's death or Termination Date; and

(b) April 17, 2007, being the expiration of ten (10) years from the effective date of the option granted hereunder.

IN WITNESS WHEREOF, the Corporation has caused this First Amendment to be duly executed by its Officers, and the Optionee has hereunto set his hand and seal.

UNIFI, INC.

BY: WILLIS C. MOORE, III

Attest:

C. CLIFFORD FRAZIER, JR.
Secretary

JERRY W. ELLER
Optionee

(SEAL)

UNIFI, INC.

SUBSIDIARIES

Name	Address	Incorporation	Unifi Percentage of Voting Securities Owned
Unifi, FSC Ltd.	Agana, Guam	Guam	100%
Unifi Textured Yarns Europe, Ltd.	Letterkenny, Ireland	United Kingdom	100%
Unifi International Services, Inc.	Greensboro, NC	North Carolina	100%
Unifi Manufacturing, Inc. ("UMI")	Greensboro, NC	North Carolina	100%
Unifi Sales & Distribution, Inc. ("USD")	Greensboro, NC	North Carolina	100%
Unifi Manufacturing Virginia, LLC	Greensboro, NC	North Carolina	95% (5% - UMI)
Unifi Export Sales, LLC	Greensboro, NC	North Carolina	95% (5% - UMI)
Unifi Technology Group, LLC	Charlotte, NC	North Carolina	95.12% USD 4.88%Others
Unifi Textured Polyester, LLC	Greensboro, NC	North Carolina	85.42% - UMI (14.58% - Burlington Industries, Inc.)
Unifi do Brasil, LTDA Latda	San Paulo, Brazil	Brazil	100%
Spanco Industries, Inc. ("SI")	Greensboro, NC	North Carolina	100% - UMI
[SI owns:	100%	Spanco International, Inc., ("SII"), a North Carolina corporation]	
[SII owns:	83%	Spanco - Latin America, S.A., a Columbian sociedad anonime; the remainder of Spanco Latin America is presently owned by: 1% Unifi designees 16% Spanco - Panama, S.A.]	

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-23201) pertaining to the Unifi, Inc. 1982 Incentive Stock Option Plan and the 1987 Non-Qualified Stock Option Plan, and the Registration Statement (Form S-8 No. 33-53799) pertaining to the Unifi, Inc. 1992 Incentive Stock Option Plan and Unifi Spun Yarns, Inc. 1992 Employee Stock Option Plan, and Registration Statement (Form S-8 No. 333-35001) pertaining to the Unifi, Inc. 1996 Incentive Stock Option Plan and the Unifi, Inc. 1996 Non-Qualified Stock Option Plan of our report dated July 20, 1999, with respect to the consolidated financial statements and schedule of Unifi, Inc. included in this Annual Report (Form 10-K) for the year ended June 27, 1999.

/s/ ERNST & YOUNG LLP

Greensboro, North Carolina
September 20, 1999

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S ANNUAL REPORT FOR THE TWELVE MONTH PERIOD ENDED JUNE 27, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

	12-MOS
JUN-27-1999	JUN-27-1999
	44,433
	0
	194,533
	8,749
	129,917
	362,149
	1,231,013
	541,275
	1,365,840
145,252	
	478,898
0	
	0
	5,955
	640,183
1,365,840	
	1,251,160
1,251,160	
	1,076,610
	1,076,610
	0
	6,241
27,459	
	87,396
	28,369
59,027	
	0
	0
	2,768
	56,259
	.93
	.93

OTHER STOCKHOLDERS EQUITY OF \$640,183 IS COMPRISED OF CAPITAL IN EXCESS OF PAR VALUE OF \$13, RETAINED EARNINGS OF \$658,353 AND ACCUMULATED OTHER COMPREHENSIVE LOSS OF \$(18,183).