

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

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

For the quarterly period ended December 28, 1997

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

For the transition period from to

Commission File Number 1-10542

UNIFI, INC.

(Exact name of registrant as specified its charter)

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

(336) 294-4410

(Registrant's telephone number, including area code)

Same

(Former name, former address and former fiscal year,
if changed since last report)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding at February 1, 1998
Common Stock, par value \$.10 per share	61,587,997 Shares

Part I. Financial Information

UNIFI, INC.

Condensed Consolidated Balance Sheet

	(Amounts in Thousands)	
	December 28, 1997	June, 29, 1997
	(Unaudited)	(Note)
ASSETS:		
Current assets:		
Cash and cash equivalents	\$5,073	\$9,514
Receivables	185,353	224,233
Inventories:		
Raw materials and supplies	45,629	54,979
Work in process	12,409	11,791
Finished goods	86,359	75,493
Other current assets	2,606	3,688
Total current assets	337,429	379,698
Property, plant and equipment	1,026,813	1,147,148
Less: accumulated depreciation	460,764	548,775
	566,049	598,373
Equity investment in unconsolidated affiliates	199,274	1,851
Other noncurrent assets	79,777	38,781
Total assets	\$1,182,529	\$1,018,703
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Notes payable	\$10,088	\$1,189
Accounts payable	69,302	119,623
Accrued expenses	34,788	35,854

Income taxes payable	4,039	6,887
Total current liabilities	118,217	163,553
Long-term debt	413,326	255,799
Other noncurrent liabilities	8,102	--
Deferred income taxes	57,130	50,820
Shareholders' equity:		
Common stock	6,139	6,121
Capital in excess of par value	20,501	--
Retained earnings	565,456	545,099
Cumulative translation adjustment	(6,342)	(2,689)
Total shareholders' equity	585,754	548,531
Total liabilities and shareholders' equity	\$1,182,529	\$1,018,703

Note: The balance sheet at June 29, 1997, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

(Amounts in Thousands Except Per Share Data)
For the Quarters Ended For the Six Months Ended
Dec. 28, Dec. 29, Dec. 28, Dec. 29,
1997 1996 1997 1996

Net sales	\$343,096	\$419,345	\$672,938	\$834,060
Cost of goods sold	284,091	360,487	564,415	725,257
Selling, general & admin. expense	10,595	11,247	20,490	22,077
Operating income	48,410	47,611	88,033	86,726
Interest expense	3,285	2,958	6,556	5,880
Interest income	(414)	(562)	(872)	(1,094)
Other (income) expense	549	1,039	259	841
Equity in (earnings) losses of unconsolidated losses of affiliates	(4,516)	94	(9,137)	94
Income before income taxes	49,506	44,082	91,227	81,005
Provision for income taxes	16,487	15,292	30,683	28,260
Income before cumulative effect of accounting change	33,019	28,790	60,544	52,745
Cumulative effect of accounting change, net of tax	4,636	--	4,636	--
Net income	\$28,383	\$28,790	\$55,908	\$52,745
Earnings per common share:				
Income before cumulative effect of accounting change	\$.54	\$.45	\$.99	\$.82
Cumulative effect of accounting change, net of tax	.08	--	.07	--
Net income per common share	\$.46	\$.45	\$.92	\$.82
Earnings per common share - assuming dilution:				
Income before cumulative effect of accounting change	\$.54	\$.44	\$.98	\$.81
Cumulative effect of accounting change, net of tax	.08	--	.07	--
Net income per common share - assuming dilution	\$.46	\$.44	\$.91	\$.81
Cash dividends per share	\$.14	\$.11	\$.28	\$.22

See Accompanying Notes to Condensed Consolidated Financial Statements.

UNIFI, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Amounts in Thousands)
For the Six Months Ended
December 28, December 29,
1997 1996

Cash and cash equivalents provided by operating activities, net of acquisition	\$60,667	\$83,018
Investing activities:		
Capital expenditures	(136,370)	(66,983)
Acquisitions	(25,644)	--
Investments in unconsolidated equity affiliates	(35,152)	(1,125)
Sale of capital assets	731	1,410
Proceeds from notes receivable	273	525
Other	(2,878)	--
Net investing activities	(199,040)	(66,173)
Financing activities:		
Issuance of Company common stock	191	790
Stock option tax benefit	1,443	--
Purchase and retirement of Company common stock	(20,187)	(63,783)
Borrowing of long-term debt	180,000	95,000
Payments of long-term debt	(10,120)	(40,000)
Cash dividends paid	(17,070)	(14,191)
Other	(27)	--
Net financing activities	134,230	(22,184)
Currency translation adjustment	(298)	273
Net increase (decrease) in cash and cash equivalents	(4,441)	(5,066)
Cash and cash equivalents - beginning	9,514	24,473
Cash and cash equivalents - ending	\$5,073	\$19,407

See Accompanying Notes to Condensed Consolidated Financial Statements.

UNIFI, INC.
Notes to Condensed Consolidated Financial Statements

(a)Basis of Presentation

The information furnished is unaudited and reflects all adjustments which are, in the opinion of management, necessary to present fairly the financial position at December 28, 1997, and the results of operations and cash flows for the periods ended December 28, 1997, and December 29, 1996. Such adjustments consisted of normal recurring items except for the cumulative effect of accounting change recorded in the current period as described further in Note (i). Interim results are not necessarily indicative of results for a full year. It is suggested that the condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K. The Company has reclassified the presentation of certain prior year information to conform with the current presentation format.

(b)Income Taxes

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

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

(c)Earnings per share

The following table sets forth the computation of basic and diluted earnings per share:

	For the Quarters Ended For the Six Months Ended			
	Dec. 28, 1997	Dec. 29, 1996	Dec. 28, 1997	Dec. 29, 1996
Numerator:				
Income before cumulative effect of accounting change	\$33,019	\$28,790	\$60,544	\$52,745
Cumulative effect of accounting change, net of tax	4,636	--	4,636	--
Net income	\$28,383	\$28,790	\$55,908	\$52,745

For the Quarters Ended For the Six Months Ended

	Dec. 28, 1997	Dec. 29, 1996	Dec. 28, 1997	Dec. 29, 1996
Denominator:				
Denominator for basic earnings per share - weighted average shares	61,106	64,377	61,058	64,457
Effect of dilutive securities:				
Stock options	589	772	639	704
Dilutive potential common shares Denominator for diluted earnings per share-adjusted weighted average shares and assumed conversions				
	61,695	65,149	61,697	65,161

(d) Common Stock

On January 8, 1998, the Company's Board of Directors declared a cash dividend of 14 cents per share payable on February 6, 1998, to shareholders of record on January 31, 1998.

(e) Investments in unconsolidated affiliates

Investments in affiliates consist of a 34% interest in Parkdale America, LLC (the LLC) and a 48.5% interest in MiCELL Technologies, Inc. (MiCELL). These investments are reported using the equity method.

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 approximates \$58 million and is being amortized on a straight-line basis over 30 years as a component of the equity in earnings

of unconsolidated affiliates. Net sales and operating income for the prior year second quarter and for the prior year to date attributable to the Company's spun cotton yarn operations contributed to the LLC amounted to \$72.8 million and \$1.0 million and \$148.2 million and \$0.2 million, respectively. Condensed balance sheet and income statement information as of December 28, 1997, and for the quarter and year-to-date periods ended December 28, 1997, of the unconsolidated affiliates is as follows (in \$000):

	December 28, 1997	Quarter Ended Dec. 28, 1997	For the Six Months Ended Dec. 28, 1997
Current assets	\$405,548		
Noncurrent assets	210,782		
Current liabilities	261,826		
Shareholders' equity	354,504		
Net sales	\$151,348		\$317,627
Gross profit	20,394		43,935
Income from operations	15,117		30,386
Net Income	15,117		30,386

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.

(f)Recent Accounting Pronouncements

In February 1997, the FASB issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share," (SFAS 128) which was required to be adopted in the December 1997 fiscal quarter. The Company adopted SFAS 128 in the current quarter and restated all prior periods. Under the new requirements for calculating basic earnings per share, the dilutive effect of stock options is excluded. Diluted earnings per share continues to reflect the assumed conversion of all potentially diluted securities, without significant changes in the method of computation.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," (SFAS 130) which is required to be adopted for fiscal years beginning after December 15, 1997, if not previously adopted. SFAS 130 requires the reporting of comprehensive income and its components in complete general purpose financial statements as well as requires certain interim comprehensive income information be disclosed. Comprehensive income represents the change in net assets of a business during a period from non-owner sources. Such non-owner changes in net assets that are not included in net income include, among others, foreign currency translation adjustments, unrealized gains and losses on available-for-sale securities and certain minimum pension liabilities. The Company has not as yet determined the impact that the adoption of this standard will have on its consolidated financial statements.

Also in June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," (SFAS 131) which is required to be adopted for fiscal years beginning after December 15, 1997, if not previously adopted. SFAS 131 establishes standards for public companies for the reporting of financial information from operating segments in annual and interim financial statements as well as establishes standards for related disclosures about products and services, geographic areas and major customers. Operating segments are defined in SFAS 131 as components of an enterprise about which separate financial information is available to the chief operating decision maker for purposes of assessing performance and allocating resources. The Company has not completed its analysis of the effect that the adoption of this standard will have on its financial statement disclosure, however, the adoption of SFAS 131 will not affect results of operations or financial position.

(g)Year 2000 Compliance Status

The Company is in process of identifying the business issues associated with the year 2000 that impact information systems both internally and in relation to our external customers, suppliers and other business associates. Factors considered in the assessment of the business issues involved with the year 2000 include the evaluation of compliance capabilities and the current status of the Company's enterprise-wide system conversion project, significant customers' and vendors' compliance plans and status thereof (including the impact on electronic commerce systems with these companies) and the compliance plans and status for businesses in which the Company has investments in their operations.

The Company has identified a team of professionals with the responsibility of addressing business issues associated with the year 2000 and has completed a preliminary assessment of the issues and actions needed to be performed. The Company does not believe any material exposures or contingencies exist with respect to its internal information systems. The Company has not completed its evaluation of year 2000 compliance plans for its external business affiliates but is not aware of any material exposure or contingency to date.

(h)Acquisition

On November 14, 1997, the Company completed its previously announced 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 generally be paid over the terms of the covenants. The acquisition, which is not deemed significant to the Company's consolidated net assets or results of operations, is being accounted for by the purchase method of accounting.

(i) Cumulative Effect of Accounting Change

Pursuant to Emerging Issues Tasks 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 that it began in fiscal 1995. Previously, substantially all direct 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 \$.08 per share was written off as a cumulative catch-up adjustment in the second quarter of fiscal 1998.

(j) Subsequent Event

The Company announced on January 8, 1998, its intent to offer and sell up to \$300 million of senior, unsecured debt securities (the "Notes") to qualified institutional buyers in the U.S. and to non-U.S. investors outside the United States. On February 2, 1998, \$250 million of these securities were sold. The net proceeds of the offering were used to repay a portion of the Company's bank credit facility. The Notes bear a coupon rate of interest of 6.50% and mature in 2008.

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

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

Results of Operations

Consolidated net sales decreased 1.0% in the quarter from \$346.6 million to \$343.1 million and declined 1.9% for the year to date from \$685.9 million for the prior year six month period to \$672.9 million in the corresponding current year period, after eliminating the net sales of the Company's spun cotton yarn operations that were contributed to Parkdale America LLC at the beginning of the current fiscal year. Net sales of the spun cotton yarn operations were \$72.8 million and \$148.2 million for the prior year second quarter and year to date, respectively. Unit volume for the quarter and year to date periods, after eliminating spun yarn cotton operations from the prior year periods, increased 1.3% and 0.3%, respectively. Average unit sales prices, based on product mix, declined 2.5% for the quarter and 2.0% for the year to date after giving effect to the elimination of spun cotton yarn sales for the prior year periods.

Domestically, polyester and nylon yarn sales declined slightly for the quarter due primarily to a decline in average sales price, based on product mix. For the year-to-date period, sales of our polyester and nylon yarns decreased approximately 1.6% due to slight declines in both unit sales and average sales prices. Internationally, sales declined 1.4% for the quarter and 4.1% for the year to date as decreases in unit prices for both periods offset increases in unit sales over prior year corresponding periods. Also impacting the current quarter sales relative to the prior year was the strengthening of the U.S. dollar to the Irish punt during this period which had the currency translation effect of reducing net sales by \$4.1 million.

Gross profit increased 6.4% to \$59.0 million for the quarter and 4.4% to \$108.5 million for the year to date, after eliminating spun cotton yarn operating results from the prior year periods. Gross margin (gross profit as a percentage of net sales) improved 1.2% for the quarter and 0.9% for the year to date compared to the prior year periods, after removing the spun cotton yarn operating results for these periods. Decreases in fiber and manufacturing components of cost of sales more than offset increases in depreciation and other fixed charges as a percentage of net sales for both current year periods compared to the corresponding prior year periods resulting in the improved gross margin percentages.

Selling, general and administrative expenses as a percentage of net sales increased from 2.7% in last year's quarter to 3.1% this quarter. On a year-to-date basis, selling, general and administration expense as a percentage of net sales increased from 2.6% last year to 3.0% this year. On a dollar basis, selling, general and administrative expense declined \$0.7 million to \$10.6 million for the quarter and decreased \$1.6 million to \$20.5 million for the year to date. Lower selling, general and administrative expenses for both current year periods reflect cost reductions associated with the contribution of our spun cotton yarn operations at the beginning of the fiscal year. The increase in selling, general and administrative expense as a percentage of net sales for both current year periods is attributable to the lower sales base discussed above.

Interest expense increased \$0.3 million to \$3.3 million in the current quarter and \$0.7 million to \$6.6 million for the year-to-date period. The increase in interest expense for both current year periods reflects higher levels of outstanding debt at higher average interest rates. Interest income has decreased from \$0.6 million in last year's second quarter to \$0.4 million in the current quarter. For the six month period, interest income has decreased from \$1.1 million last year to \$0.9 million in the current period. Other expense declined \$0.5 million for the quarter and \$0.6 million for the year to date compared to the corresponding periods in the prior year.

Income from our equity affiliates, Parkdale America, LLC and MiCELL Technologies, Inc., contributed \$4.5 million to pre-tax income for the quarter and \$9.1 million for the year to date. During the second quarter of fiscal 1997, and for the corresponding year to date, net sales and operating income from our spun cotton yarn assets contributed to Parkdale America, LLC amounted to \$72.8 million and \$1.0 million, and \$148.2 million and \$0.2 million, respectively. See Note (e) to the financial statements for additional information regarding unconsolidated affiliates.

The effective tax rate has decreased from 34.7% to 33.3% in the current quarter and from 34.9% to 33.6% for the year-to-date period. The difference between the statutory federal income tax rate and the effective tax rate is primarily due to the realization of state and federal tax credits and the results of foreign subsidiaries which are taxed at rates below those of U.S. operations.

Pursuant to Emerging Issues Tasks 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 that it began in fiscal 1995. Previously, substantially all direct 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 \$.08 per share was written off as a one-time, non-cash, cumulative catch-up adjustment in the second quarter of fiscal 1998.

In February 1997, the FASB issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share," (SFAS 128) which was required to be adopted in the December 1997 fiscal quarter. The Company adopted SFAS 128 in the current quarter and restated all prior periods. Under the new requirements for calculating basic earnings per share, the dilutive effect of stock options is excluded. Diluted earnings per share continues to reflect the assumed conversion of all potentially diluted securities, without significant changes in the method of computation.

As a result of the above, the Company realized during the current quarter income before the cumulative effect of the accounting change of \$33.0 million, or diluted earnings per share of \$.54, compared to \$28.8 million, or \$.44 per share, for the corresponding quarter of the prior year. Net income for the current quarter amounted to \$28.4 million, or \$.46 per diluted share, after the charge for the cumulative effect of the change in accounting of \$4.6 million, or \$.08 per diluted share. Net income for the current six month year-to-date period amounted to \$55.9 million, or \$.91 per share, compared to corresponding amounts in the prior year-to-date period of \$52.7 million, or \$.81 per share. For the current year to date, income before the cumulative effect of the accounting change was \$60.5 million, or \$.98 per share, respectively.

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 \$60.7 million for the six month period ended December 28, 1997, compared to \$83.0 million for the prior year corresponding period. The primary sources of cash from operations, other than net income, were decreases in accounts receivable of \$51.2 million and non-cash adjustments aggregating \$35.9 million. Depreciation and amortization of \$34.1 million, the after-tax cumulative accounting change of \$4.6 million and the deferred income tax provision of \$6.3 million, offset by earnings of unconsolidated affiliates of \$9.1 million, were the primary components of the non-cash adjustments to cash provided by operations. Offsetting these sources were an increase in inventory of \$13.9 million and a decrease in accounts payable and accruals of \$68.4 million. All working capital changes have been adjusted to exclude the effect of the current quarter acquisition. The decreases in account receivable and account payable and accruals were impacted by the contribution of the spun cotton yarn operations at the beginning of the fiscal year as well as the timing of the holiday shut down at the end of the current quarter relative to the shutdown that normally occurs near the beginning of our fiscal year. In addition, the timing of the Company's disbursements at the end of the current quarter compared to those of the prior fiscal year end contributed to the significant decline in accounts payable for the current period.

Working capital levels are more than adequate to meet the operating requirements of the Company. We ended the current quarter with working capital of \$219.2 million which included cash and cash equivalents of \$5.1 million.

The Company utilized \$199.0 million for net investing activities and obtained \$134.2 million from net financing activities, during the six month period ended December 28, 1997. Significant expenditures during this period included \$136.4 million for capacity expansions and upgrading of facilities, \$25.6 for acquisitions, \$35.2 for investments in equity affiliates, \$17.1 million for the payment of the Company's cash dividends, \$20.2 million for the purchase and retirement of Company common stock and \$0.2 million, net for other activity. The Company obtained proceeds from net borrowings under its long-term debt agreement of \$169.9 million to substantially offset these cash expenditures.

As discussed in Note (e) to the financial statements, on June 30, 1997, the Company and Parkdale Mills, Inc. (Parkdale) contributed the inventory and the owned and leased tangible real and personal property associated with their open-end and air jet spun cotton yarn operations to Parkdale America, LLC (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 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. It is anticipated that the LLC will distribute dividends to the Company and

Parkdale sufficient to satisfy any income tax liability attributable to the taxable earnings of the LLC. Additionally, the Company is not obligated to provide the LLC with any further cash contributions beyond those described herein.

The Company is in process of identifying the business issues associated with the year 2000 that impact information systems both internally and in relation to our external customers, suppliers and other business associates. Factors considered in the assessment of the business issues involved with the year 2000 include the evaluation of compliance capabilities and the current status of the Company's enterprise-wide system conversion project, significant customers' and vendors' compliance plans and status thereof (including the impact on electronic commerce systems with these companies) and the compliance plans and status for businesses in which the Company has investments in their operations.

The Company has identified a team of professionals with the responsibility of addressing business issues associated with the year 2000 and has completed a preliminary assessment of the issues and actions needed to be performed. The Company does not believe any material exposures or contingencies exist with respect to its internal information systems. The Company has not completed its evaluation of year 2000 compliance plans for its external business affiliates but is not aware of any material exposure or contingency to date.

On November 14, 1997, the Company completed its previously announced 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 generally be paid over the terms of the covenants. The acquisition, which is not deemed significant to the Company's consolidated net assets or results of operations, is being accounted for by the purchase method of accounting.

At December 28, 1997, the Company has committed approximately \$192.4 million for the purchase and upgrade of equipment and facilities, which is scheduled to be expended during fiscal years 1998 and 1999. A significant component of

these committed funds as well as a major component of the year-to-date capital expenditures is the continuing construction of a polyester fiber production facility in Yadkinville, North Carolina. In addition to this project, the Company is in process of constructing a new nylon texturing and covering facility in Madison, North Carolina. This plant will consolidate the existing capacity at several locations, replacing older equipment with state-of-the-art technology, and will provide for additional capacity and expansion capabilities. Certain construction and machinery components of this project are still under negotiation.

On October 21, 1993, the Board of Directors authorized management to repurchase up to 15 million shares of Unifi's common stock from time to time at such prices as management feels advisable and in the best interest of the Company. Through December 28, 1997, 10.2 million shares have been repurchased at a total cost of \$282.5 million pursuant to this Board authorization.

The Company announced on January 8, 1998, its intent to offer and sell up to \$300 million of senior, unsecured debt securities (the "Notes") to qualified institutional buyers in the U.S. and to non-U.S. investors outside the United States. On February 2, 1998, \$250 million of these securities were sold. The net proceeds of the offering were used to repay a portion of the Company's bank credit facility. The Notes bear a coupon rate of interest of 6.50% and mature in 2008.

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.

Cautionary Statement on 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 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), continued availability of financial resources through financing arrangements and operations, negotiation of new or modifications of existing contracts for asset management and for property and equipment construction and acquisition, regulations governing tax laws, other governmental and authoritative bodies' policies and legislation, the continuation and magnitude of the Company's common stock repurchase program and proceeds received from the sale of assets held for disposal. In addition to these representative factors, forward-looking statements could be impacted by general domestic and international economic and industry conditions in the markets where the Company competes, such as changes in currency exchange rates, interest and inflation rates, recession and other economic and political factors over which the Company has no control.

Part II. Other Information

UNIFI, INC.

Item 4. Submission of Matters to a Vote of Security Holders

The Shareholders of the Company at their Annual Meeting held on the 23rd day of October 1997, considered and voted upon the election of four (4) Class 3 Directors of the Company.

The Shareholders elected management nominees for the four (4) Class 3 Directors of the Company to serve until the Annual Meeting of the Shareholders in 2000 or until their successors are elected and qualified, as follows:

Name of Director	Votes in Favor	Votes Against	Votes Abstaining
G. Allen Mebane	53,007,402	0	556,218
William T. Kretzer	53,007,402	0	556,147
J. B. Davis	53,007,402	0	556,147
R. Wiley Bourne, Jr.	53,007,402	0	556,147

The following persons continued to serve on the Company's Board of Directors until the Annual Meeting of Shareholders in 1998 for Class 1 and 1999 for Class 2:

Class 1	Class 2
Donald F. Orr	Charles R. Carter
Robert A. Ward	Jerry W. Eller
G. Alfred Webster	Kenneth G. Langone

The information set forth under the headings "Election of Directors," "Nominees for Election as Directors," and "Security Holdings of Directors, Nominees, and Executive Officers" on Pages 2-5 of the Definitive Proxy Statement filed with the Commission since the close of the registrant's fiscal year ending June 29, 1997, is incorporated herein by reference.

Item 6. Exhibits and Reports on Form 8-K

(27) Financial Data Schedule

(b) No reports on Form 8-K have been filed during the quarter ended December 28, 1997.

UNIFI, INC.

Signatures

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

UNIFI, INC.

Date: February 11, 1998

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

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S QUARTERLY REPORT FOR THE SIX MONTH PERIOD ENDED DECEMBER 28, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

6-MOS	
	JUN-28-1998
	DEC-28-1997
	\$5,073
	\$0
	\$194,161
	\$8,808
	\$144,397
	\$337,429
	\$1,026,813
	\$460,764
	\$1,182,529
\$118,217	\$413,326
	\$0
	\$0
	\$6,139
\$1,182,529	\$579,615
	\$672,938
\$672,938	\$564,415
	\$564,415
	\$0
	\$0
\$6,556	\$91,227
\$91,227	\$30,683
\$60,544	\$0
	\$0
	\$4,636
	\$55,908
	\$.92
	\$.91

OTHER STOCKHOLDERS' EQUITY OF \$579,615 IS COMPRISED OF CAPITAL IN EXCESS OF PAR VALUE OF \$20,501, RETAINED EARNINGS OF \$565,456 AND CUMULATIVE TRANSLATION ADJUSTMENT OF \$(6,342).

PURSUANT TO FASB 128, "EARNINGS PER SHARE" WHICH THE COMPANY ADOPTED IN THE CURRENT QUARTER, THE COMPANY CHANGED ITS METHOD OF CALCULATING EARNINGS PER SHARE AND RESTATED ALL PRIOR PERIODS. UNDER THE NEW REQUIREMENTS FOR CALCULATING BASIC EARNINGS PER SHARE, THE DILUTIVE EFFECT OF STOCK OPTIONS WERE EXCLUDED. BASIC EARNINGS PER SHARE FOR THE QUARTER ARE REFLECTED ABOVE UNDER THE "PRIMARY" LINE ITEM. DILUTED EARNINGS PER SHARE AS REFLECTED IN THE ABOVE SCHEDULE, HAS BEEN CALCULATED TO CONFORM WITH THE NEW PRONOUNCEMENT.

