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

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

For the quarterly period ended March 26, 2000

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

For the transition period from _______ to ________

Commission File Number 1-10542

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

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

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

(336) 294-4410
(Registrant's telephone number, including area code)

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding at April 30, 2000
Common stock, par value $.10 per share	56,882,493 shares

Part I. Financial Information

UNIFI, INC.
Condensed Consolidated Balance Sheets

	March 26, 2000	June 27, 1999
	(Unaudited)	(Note)
	(Amounts in Thousands)	
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 27,827	$ 44,433
Receivables	209,114	185,784
Inventories:		
Raw materials and supplies	58,001	45,584
Work in process	18,109	14,584
Finished goods	74,139	69,749
Other current assets	1,448	2,015
Total current assets	388,638	362,149
Property, plant and equipment	1,245,256	1,231,013
Less: accumulated depreciation	582,322	541,275
	662,934	689,738
Equity investments in unconsolidated affiliates	212,210	207,142
Other noncurrent assets	112,447	106,811
Total assets	$ 1,376,229	$ 1,365,840
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 89,195	$ 68,716
Accrued expenses	39,851	52,889
Income taxes payable	15,792	7,392
Current maturities of long-term debt and other current liabilities	4,907	16,255
Total current liabilities	149,745	145,252
Long-term debt and other liabilities	478,037	478,898
Deferred income taxes	84,305	78,369
Minority interests	17,505	17,183
Shareholders' equity:		
Common stock	5,876	5,955
Capital in excess of par value	--	13
Retained earnings	666,981	658,353
Accumulated other comprehensive loss	(26,220)	(18,183)
Total shareholders' equity	646,637	646,138
Total liabilities and shareholders' equity	$ 1,376,229	$ 1,365,840

Note: The balance sheet at June 27, 1999, 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)

	For the Quarters Ended		For the Nine Months Ended	
	March 26, 2000	March 28, 1999	March 26, 2000	March 28, 1999
	(Amounts in Thousands Except Per Share Data)			
Net sales	$ 319,302	$ 294,805	$ 941,605	$ 943,474
Cost of goods sold	276,432	264,835	822,734	815,567
Selling, general & admin. expense	14,645	19,649	43,071	42,631
Interest expense	7,522	6,983	22,474	20,122
Interest income	(590)	(536)	(2,122)	(1,728)
Other (income) expense	130	(17)	995	1,275
Equity in (earnings) losses of unconsolidated affiliates	(2,321)	2,241	2,907	(4,398)
Minority interests	2,380	(114)	7,184	4,686
Income before income taxes	21,104	1,764	44,362	65,319
Provision for income taxes	7,868	671	17,621	20,698
Income before cumulative effect of accounting change	13,236	1,093	26,741	44,621
Cumulative effect of accounting change, net of tax	--	--	--	2,768
Net income	$ 13,236	$ 1,093	$ 26,741	$ 41,853
Earnings per common share - basic:				
Income before cumulative effect of accounting change	$ .23	$ .02	$ .45	$ .73
Cumulative effect of accounting change, net of tax	--	--	--	.04
Net income per common share	$ .23	$ .02	$ .45	$ .69
Earnings per common share - assuming dilution:				
Income before cumulative effect of accounting change	$ .23	$ .02	$ .45	$ .73
Cumulative effect of accounting change, net of tax	--	--	--	.04
Net income per common share - assuming dilution	$ .23	$ .02	$ .45	$ .69

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended	
	March 26, 2000	March 28, 1999
	(Amounts in Thousands)	
Cash and cash equivalents provided by operating activities	$ 81,025	$ 174,651
Investing activities:		
Capital expenditures	(42,173)	(98,279)
Acquisitions	(7,986)	--
Investments in unconsolidated equity affiliates	(16,070)	(10,000)
Sale of capital assets	2,634	726
Other	(1,825)	(395)
Net investing activities	(65,420)	(107,948)
Financing activities:		
Borrowing of long-term debt	39,089	43,387
Repayment of long-term debt	(37,645)	(45,090)
Issuance of Company common stock	14	641
Purchase and retirement of Company common stock	(18,387)	(32,483)
Distributions to minority interest shareholders	(9,000)	(6,000)
Other	(4,529)	367
Net financing activities	(30,458)	(39,178)
Currency translation adjustment	(1,753)	(971)
Net increase (decrease) in cash and cash equivalents	(16,606)	26,554
Cash and cash equivalents - beginning	44,433	8,372
Cash and cash equivalents - ending	$ 27,827	$ 34,926

See Accompanying Notes to Condensed Consolidated Financial Statements.

UNIFI, INC.
Notes to Condensed Consolidated Financial Statements

(a) Basis of Presentation

The information furnished is unaudited and reflects all adjustments which are, in the opinion of management, necessary to present fairly the financial position at March 26, 2000, and the results of operations and cash flows for the periods ended March 26, 2000, and March 28, 1999. Such adjustments consisted of normal recurring items in the current year. Interim results are not necessarily indicative of results for a full year. It is suggested that the condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K. The Company has reclassified the presentation of certain prior year information to conform with the current presentation format.

(b) Income Taxes

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

The difference between the statutory federal income tax rate and the effective tax rate is primarily due to the earnings and losses of foreign subsidiaries that are taxed at rates different than the U.S. statutory rates.

(c) Earnings per Share

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

	For the Quarters Ended		For the Nine Months Ended	
	March 26, 2000	March 28, 1999	March 26, 2000	March 28, 1999
Numerator:				
Income before cumulative effect of accounting change	$13,236	$ 1,093	$26,741	$44,621
Cumulative effect of accounting change, net of tax	--	--	--	2,768
Net income	$13,236	$ 1,093	$26,741	$41,853

	For the Quarters Ended		For the Nine Months Ended	
	March 26, 2000	March 28, 1999	March 26, 2000	March 28, 1999
Denominator:				
Denominator for basic earnings per share - Weighted average shares	58,687	60,218	59,167	60,851
Effect of dilutive securities:				
Stock options	--	--	17	2
Restricted stock awards	7	--	3	--
Dilutive potential common shares denominator for diluted earnings per share-Adjusted weighted average shares and assumed conversions	58,694	60,218	59,187	60,853

(d) Comprehensive Income

Comprehensive income (loss) amounted to $12.4 million for the third quarter of fiscal 2000 and ($7.4) million for the third quarter of fiscal 1999, and was comprised primarily of net income and foreign currency translation adjustments. For the respective year-to-date periods, comprehensive income totaled $18.7 million and $38.9 million and was comprised primarily of net income and foreign currency translation adjustments. The Company does not provide income taxes on the impact of currency translations as earnings from foreign subsidiaries are deemed to be permanently invested.

(e) Cumulative Effect of Accounting Change

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

(f) Segment Disclosures

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 for public companies for the reporting of financial information from operating segments in annual and interim financial statements as well as establishes standards for related disclosures about products and services, geographic areas and major customers. Operating segments are defined in SFAS 131 as components of an enterprise about which separate financial information is available to the chief operating decision-maker for purposes of assessing performance and allocating resources. The adoption of SFAS 131 did not effect consolidated results of operations or financial position. Following is the Company's selected segment information for the quarter and year-to-date periods ended March 26, 2000, and March 28, 1999 (amounts in thousands):

	Polyester	Nylon	All Other	Total
Quarter ended March 26, 2000:				
Net sales to external customers	$ 212,031	$ 102,210	$ 5,061	$ 319,302
Intersegment net sales	--	117	2,888	3,005
Operating income	18,087	9,626	215	27,928
Depreciation and amortization	15,898	5,540	210	21,648
Total assets	707,605	366,574	15,527	1,089,706
Quarter ended March 28, 1999:				
Net sales to external customers	$ 184,611	$ 110,194	$ --	$ 294,805
Intersegment net sales	2,380	1,386	--	3,766
Operating income	(1,345)	7,803	--	6,458
Depreciation and amortization	14,592	6,129	--	20,721
Total assets	675,354	213,841	--	889,195

	For the Quarters Ended March 26, 2000	For the Quarters Ended March 28, 1999
Operating income:		
Reportable segments operating income	$ 27,928	$ 6,458
Net standard cost adjustment to LIFO	(246)	3,028
Unallocated operating expense	543	835
Consolidated operating income	$ 28,225	$ 10,321

	Polyester	Nylon	All Other	Total
Nine months ended March 26, 2000:				
Net sales to external customers	$613,826	$312,917	$ 14,862	$941,605
Intersegment net sales	4	408	8,900	9,312
Operating income	46,163	31,953	995	79,111
Depreciation and amortization	43,997	16,332	590	60,919

	Polyester	Nylon	All Other	Total
Nine months ended March 28, 1999:				
Net sales to external customers	$605,815	$337,659	$ --	$943,474
Intersegment net sales	16,407	3,748	--	20,155
Operating income	43,683	34,878	--	78,561
Depreciation and amortization	43,594	16,637	--	60,231

	For the Nine Months Ended March 26, 2000	For the Nine Months Ended March 28, 1999
Operating income:		
Reportable segments operating income	$ 79,111	$ 78,561
Net standard cost adjustment to LIFO	(2,592)	7,798
Unallocated operating expense	(719)	(1,083)
Consolidated operating income	$ 75,800	$ 85,276

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 intersegment transfer of yarn, fiber costing and capitalization of property, plant and equipment costs. Prior to the current fiscal year, substantially all intersegment transfers of yarn were treated as internal sales at a selling price which approximated cost plus a normalized profit margin. In the current quarter and for the year to date, intersegment transfers of yarn were treated as inventory transfers, and profit margins recorded only on intersegment transfers from our Unifi Textured Polyester joint venture. Domestic operating divisions' fiber costs are valued on a standard cost basis, which approximates first-in, first-out accounting. For those components of inventory valued utilizing the last-in, first-out (LIFO) method, an adjustment is made at the corporate level to record the difference between standard cost and LIFO. For significant capital projects, capitalization is delayed for management segment reporting until the facility is substantially complete. However, for consolidated management financial reporting, assets are capitalized into construction in progress as costs are incurred or carried as unallocated corporate fixed assets if they have been placed in service but have not as yet been moved for management segment reporting.

The increase in nylon total assets is attributable to the reclassification of property, plant and equipment from unallocated corporate fixed assets. This reclassification primarily relates to a new facility that was substantially completed. The change in total assets for the "All Other" segment primarily reflects the establishment of the Company's majority owned subsidiary, Unifi Technology Group in May 1999. Unifi Technology Group is a domestic automation solutions provider.

(g) 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 March 26, 2000, there remained a liability of $7.6 million that is expected to equal the future cash expenditures to such terminated employees.

(h) Recent Accounting Pronouncements

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 became effective for the Company in the first quarter of fiscal year 2000. SOP 98-1 provides guidance on accounting for costs of developing or obtaining computer software for internal use. In summary, costs incurred in the preliminary project stage (formulation, evaluation and selection of alternatives and assessment of existence of required technology) or post-implementation stage (training and maintenance) should be expensed as incurred while application development costs should be capitalized or expensed depending on their nature. Application development costs include external direct costs of materials and services. Examples of application development costs are designing the chosen path, coding, testing and installing the software product to hardware. The Company previously expensed certain of these internal costs when incurred. The adoption of this standard did not have, nor is it expected to have, a material effect on the Company's results of operations or financial position.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) and in June 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 the Company is required to adopt SFAS 133 until its fiscal year 2001. SFAS 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. SFAS 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company has not yet determined what the effect of Statement 133 will be on the earnings and financial position of the Company.

(i) Acquisition

On March 8, 2000, the Company acquired Intex Yarns Limited located in Manchester, England for approximately $8.0 million plus assumed debt. This acquisition adds high quality, package-dyeing capabilities in Europe and compliments the Company's yarn production facility in Letterkenny, Ireland. 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.

(j) Subsequent Event

On April 3, 2000, the Company and E.I. Du Pont De Nemours & Company (DuPont) announced their intention to form a manufacturing alliance to produce polyester filament yarn. The alliance is expected to optimize Unifi's and DuPont's partially oriented yarn (POY) manufacturing facilities, increase productivity and improve product quality. The alliance is expected to become effective June 1, 2000.

The alliance will involve manufacturing production only. Under its terms, DuPont and Unifi will cooperatively run their polyester filament manufacturing facilities, with a combined capacity of 800 million pounds, as a single unit. Production will be realigned among DuPont's Dacron(R) polyester filament plants in Wilmington, N.C. and Kinston, N.C. and Unifi's plant in Yadkinville, N.C. to take advantage of the unique capabilities at each site. DuPont's Dacron(R) POY business and Unifi's textured yarn business will remain separate entities.

DuPont and Unifi will continue to own and operate their respective sites and employees will remain with their respective employers. DuPont will continue to provide POY to the marketplace and will use DuPont technology to expand the specialty product range at each of the company's sites. Unifi will continue to provide textured yarn to the marketplace.

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

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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

General

Consolidated net sales increased 8.3% for the quarter from $294.8 million to $319.3 million. Unit volume for the quarter increased 10.5% while average unit sales prices, based on product mix, declined approximately 2.0%. For the year-to-date period, net sales declined $1.9 million to $941.6 million. Unit volume for the year-to-date period increased 7.6% while average unit sales prices declined 6.8%. Unit volumes are up for both current year periods due primarily to the Brazilian acquisition in April, 1999. Pricing has continued to improve on a quarter-to-quarter basis during the current year as a result of a richer product mix.

Domestically, polyester and nylon yarn net sales increased 3.0% for the quarter due to improvements in both volume and unit price, based on product mix. Our polyester dyed yarn business for furniture and automotive customers had a strong quarter and our home furnishings business remained positive. The apparel market continues to be the weakest end-use market for our domestic polyester business. On the nylon side of our domestic business, the weakness in the hosiery market continues to adversely impact our fine-denier nylon business while our value-added covered yarn business did well for the quarter. Going forward, we anticipate growth opportunities developing in the domestic nylon business relating to the new seamless apparel market. For the year to date, nylon net sales declined 4.0% as a result of reduced unit prices. Internationally, sales in local currency of our Irish operation increased 6.1% for the quarter due to increased volume and decreased 14.7% for the year to date as a function of both lower unit volume and sales prices. The currency exchange rate change from the prior year to the current year adversely effected current quarter and year-to-date sales translated to U.S. dollars for this operation. U.S. dollar net sales were $3.7 million and $9.1 million less than what sales would have been reported using prior year translation rates for the quarter and year to date, respectively.

Gross profit increased by $12.9 million to $42.9 million for the quarter while gross margin (gross profit as a percentage of net sales) increased from 10.2% in the prior year quarter to 13.4%. Gross margin in the prior year's quarter excluding the effects of a $6.6 million early retirement charge was 12.4%. The improvement over the prior year quarterly is attributable to increases in domestic polyester sales prices and a shift to a more value-added product mix. For the year-to-date period, gross profit declined $9.0 million, while gross margin declined from 13.6% to 12.6%. Excluding the effects of the early retirement charge, gross margin in the prior year-to-date period was 14.3%.

Selling, general and administrative expenses as a percentage of net sales, exclusive of an $8.2 million early retirement charge in the prior year quarter, increased from 3.9% in last year's quarter to 4.6% this quarter. On a dollar basis, selling, general and administrative expense increased $3.2 million to $14.6 million, exclusive of the previously noted charge. For the year to date, selling general and administrative expenses as a percentage of net sales increased from 3.7% to 4.6% excluding the prior year $8.2 million early retirement charge. On a dollar basis, selling general and administrative expense increased $8.6 million to $43.1 million excluding the prior year charge for early retirement. Higher selling, general and administrative expenses for the current year are primarily the result of our new business venture in Brazil, acquired in April 1999, and the formation of Unifi Technology Group in May 1999.

Segment Information

Net sales to external customers for our polyester segment have increased 14.9% for the quarter compared to year ago levels as our acquisition in Brazil has resulted in higher volume. Additionally, we have experienced higher average unit prices. Gross profit has improved for the quarter due to higher average sales prices and a shift to a more value-added product mix. In addition, the gross profit for the prior year quarter was adversely affected by the polyester segment's share of the cost of sales early retirement charges amounting to $3.9 million. For the year-to-date period the results have been consistent with the quarter except that average unit prices, while improving throughout the current year, still lag the prior year-to-date average prices. Selling general and administrative expenses for this segment have increased, after excluding the polyester segment's share of the selling, general and administrative early retirement charge of $5.7 million in the prior year, primarily due to our acquisition in Brazil.

Net sales to external customers for our nylon segment were 7.2% lower in the current quarter versus the prior year quarter and 7.3% for the year to date as a result of both lower volume and sales prices, based on product mix. Gross margin improvement for this segment reflects increased manufacturing efficiencies relating to the recent plant consolidation. In addition, the prior year amounts include $2.7 million for the nylon segment's share of the cost of sales early retirement charge. Recurring selling, general and administrative costs allocated to this segment have also increased over the prior year amounts after, excluding the nylon segment's share of selling general and administrative early retirement charge of $2.5 million in the prior year, negatively impacting operating margins.

Corporate

Interest expense increased $0.5 million to $7.5 million in the current quarter and $2.4 million to $22.5 million for the year to date. The increase in interest expense reflects higher levels of outstanding debt at higher average interest rates and the reduction of interest capitalized for major construction projects. The weighted average interest rate on outstanding debt at March 26, 2000, was 6.5%.

Other income and expense was negatively impacted in the current year by a $2.6 million write-off of fixed assets related to the abandonment of certain equipment associated with domestic plant consolidations and $0.5 million in currency losses. These amounts were offset, in part, by a $1.1 million gain recognized for insurance proceeds recovered for a claim filed for property damage sustained by a tornado and a $0.6 million gain recognized on the sale of an investment.

Equity in the earnings (losses) of our unconsolidated affiliates, Parkdale America, LLC ("the LLC") and Micell Technologies, Inc., ("Micell") amounted to $2.3 million in the third quarter of fiscal 2000 compared with ($2.2) million for the corresponding prior year quarter. For the respective year-to-date period, the loss in the current year was $2.9 million compared to a $4.4 million profit in the prior year, or an unfavorable change of $7.3 million. The cotton spinning operations of the LLC have continued to improve in the third quarter of the current year compared to the previous two quarters. Micell continues to incur substantial start-up costs.

The minority interest charge was $2.4 million in the current year fiscal quarter compared to income in the prior year quarter of $0.1 million. For the respective year-to-date periods, the minority interest charge was $7.2 million and $4.7 million.

The effective income tax rate has decreased from 38.0% to 37.3% in the current quarter and has increased from 31.7% to 39.7% for the year-to-date period. The increase for the current year-to-date period reflects the reduction in earnings of our Irish operations, which are taxed at a 10.0% effective tax rate, and losses in our Brazilian operations for which no tax benefit has been recognized.

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

As a result of the above, the Company realized during the current quarter net income of $13.2 million, or diluted earnings per share of $.23, compared to $1.1 million, or $.02 per share, for the corresponding quarter of the prior year. For the year-to-date period, the Company realized net income of $26.7 million, or $.45 per share on a diluted basis compared to $41.9 million or $.69 per share in the prior year. For the prior year to date, income before the cumulative effect of the accounting change was $44.6 million, or $.73 per diluted share, respectively.

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 became effective for the Company in the first quarter of fiscal year 2000. SOP 98-1 provides guidance on accounting for costs of developing or obtaining computer software for internal use. In summary, costs incurred in the preliminary project stage (formulation, evaluation and selection of alternatives and assessment of existence of required technology) or post-implementation stage (training and maintenance) should be expensed as incurred while application development costs should be capitalized or expensed depending on their nature. Application development costs include external direct costs of materials and services. Examples of application development costs are designing the chosen path, coding, testing and installing the software product to hardware. The

Company previously expensed certain of these internal costs when incurred. The adoption of this standard did not have, nor is it expected to have, a material effect on the Company's results of operations or financial position.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) and in June 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 the Company is required to adopt SFAS 133 until its fiscal year 2001. SFAS 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. SFAS 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company has not yet determined what the effect of Statement 133 will be on the earnings and financial position of the Company.

On March 8, 2000, the Company acquired Intex Yarns Limited located in Manchester, England for approximately $8.0 million plus assumed debt. This acquisition adds high quality, package-dyeing capabilities in Europe and compliments the Company's yarn production facility in Letterkenny, Ireland. 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.

On April 3, 2000, the Company and E.I. Du Pont De Nemours & Company (DuPont) announced their intention to form a manufacturing alliance to produce polyester filament yarn. The alliance is expected to optimize Unifi's and DuPont's partially oriented yarn (POY) manufacturing facilities, increase productivity and improve product quality. The alliance is expected to become effective June 1, 2000.

The alliance will involve manufacturing production only. Under its terms, DuPont and Unifi will cooperatively run their polyester filament manufacturing facilities, with a combined capacity of 800 million pounds, as a single unit. Production will be realigned among DuPont's Dacron(R) polyester filament plants in Wilmington, N.C. and Kinston, N.C. and Unifi's plant in Yadkinville, N.C. to take advantage of the unique capabilities at each site. DuPont's Dacron(R) POY business and Unifi's textured yarn business will remain separate entities.

DuPont and Unifi will continue to own and operate their respective sites and employees will remain with their respective employers. DuPont will continue to provide POY to the marketplace and will use DuPont technology to expand the specialty product range at each of the company's sites. Unifi will continue to provide textured yarn to the marketplace.

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 $81.0 million for the year-to-date period ended March 26, 2000, compared to $174.6 million for the prior year corresponding period. The primary sources of cash from operations, other than net income, was an increase in accounts payable, accruals and income taxes of $26.5 million and non-cash adjustments aggregating $78.6 million. Depreciation and amortization of $67.2 million, the deferred income tax provision of $6.0 million, losses of unconsolidated affiliates of $2.9 million and the loss on the sale of assets of $2.5 million were the components of the non-cash adjustments to cash provided by operations. Offsetting these sources were increases in accounts receivable and inventory of $27.1 million and $20.8 million, respectively. 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 the current quarter with working capital of $238.9 million, which included cash and cash equivalents of $27.8 million.

The Company utilized $65.4 million for net investing activities and $30.5 million for net financing activities during the current year. Significant expenditures during this period included $42.2 million for capital expenditures consisting of initial construction costs for the Company's Unifi Technical Fabrics nonwoven facility and installment payments for related equipment and for upgrading other machinery and facilities. Additionally, $16.1 million was expended for investments in equity affiliates, $9.0 million for distributions to minority interest shareholders, and $18.4 for repurchases of the Company's common stock.

At March 26, 2000, the Company has committed approximately $45.6 million for costs related to the construction of its nonwoven facility and related equipment and the purchase and upgrade of equipment at other locations. The majority of these committed costs are scheduled to be expended during the remainder of fiscal year 2000 and fiscal year 2001.

The Board of Directors, effective July 16, 1998, increased the remaining authorization pursuant to a resolution originally adopted on October 21, 1993, to purchase 10 million shares of Unifi's common stock. As of April 30, 2000, there remains an authorization to repurchase approximately 4.1 million shares. The Company will continue to operate its stock buy-back program from time to time as it deems appropriate, based on prevailing financial and market conditions.

The Company's $400.0 million revolving credit facility is scheduled to mature on April 15, 2001. At March 26, 2000 the outstanding balance under this credit facility was $217.0 million. The Company is currently in the process of evaluating its options regarding the refinancing of the revolving credit facility.

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 did not experience any interruption in its business operations as a result of problems associated with the year 2000 for either its information technology systems or non-information technology systems (i.e., embedded technology). In addition, no disruption in business was experienced between the Company and its customers or vendors as a consequence of the year 2000 issue.

Costs incurred for the Company's year 2000 compliance efforts were expensed as incurred and were funded by cash flows from operations. Expenditures related to year 2000 compliance readiness were approximately $0.2 million during the current fiscal year and $1.0 million in total.

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. Other risks and uncertainties may be described from time to time in the Company's other reports and filings with the Securities and Exchange Commission.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(27) Financial Data Schedule

(b) No reports on Form 8-K have been filed during the quarter ended March 26, 2000

Signatures

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

UNIFI, INC.

Date: May 10, 2000

/s/ 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 NINE MONTH PERIOD ENDED MARCH 26, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

9-MOS
JUN-25-2000
MAR-26-2000
27,827
0
220,024
10,910
150,249
388,638
1,245,256
582,322
1,376,229
149,745
478,037
0
0
5,876
640,761
1,376,229
941,605
941,605
822,734
822,734
0
5,908
22,474
44,362
17,621
26,741
0
0
0
26,741
.45
.45

OTHER STOCKHOLDERS EQUITY OF $640,761 IS COMPRISED OF RETAINED EARNINGS OF $666,981 AND ACCUMULATED OTHER COMPREHENSIVE LOSS OF $(26,220).