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 December 24, 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 January 28, 2001
Common stock, par value $.10 per share	53,672,929 Shares

Part I. Financial Information

UNIFI, INC.
Condensed Consolidated Balance Sheets

	December 24, 2000	June 25, 2000
	(Unaudited)	(Note)
	(Amounts in Thousands)	
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 28,189	$ 18,778
Receivables	180,753	214,001
Inventories:		
Raw materials and supplies	53,247	49,449
Work in process	13,149	16,981
Finished goods	77,018	81,210
Other current assets	4,619	2,958
Total current assets	356,975	383,377
Property, plant and equipment	1,259,959	1,250,470
Less: accumulated depreciation	618,069	592,083
	641,890	658,387
Equity investments in unconsolidated affiliates	212,287	208,918
Other noncurrent assets	109,139	104,082
Total assets	$ 1,320,291	$ 1,354,764
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 86,738	$ 97,875
Accrued expenses	37,034	50,160
Income taxes payable	--	2,430
Current maturities of long-term debt and other current liabilities	8,160	217,308
Total current liabilities	131,932	367,773
Long-term debt and other liabilities	485,362	261,830
Deferred income taxes	88,080	86,046
Minority interests	17,025	16,677
Shareholders' equity:		
Common stock	5,391	5,516
Retained earnings	633,484	649,444
Unearned compensation	(1,612)	(1,260)
Accumulated other comprehensive loss	(39,371)	(31,262)
Total shareholders' equity	597,892	622,438
Total liabilities and shareholders' equity	$ 1,320,291	$ 1,354,764

- ----------------------

Note: The balance sheet at June 25, 2000, 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 Operations
(Unaudited)

	For the Quarters Ended		For the Six Months Ended	
	Dec. 24, 2000	Dec. 26, 1999	Dec. 24, 2000	Dec. 26, 1999
	(Amounts in Thousands Except Per Share Data)			
Net sales	$ 296,273	$ 317,589	$ 612,295	$ 622,303
Cost of goods sold	268,233	275,847	546,595	546,302
Selling, general & admin. expense	17,890	14,004	33,922	28,426
Interest expense	8,483	7,507	16,790	14,952
Interest income	691	848	1,812	1,532
Other expense	2,858	1,197	7,370	865
Equity in losses of unconsolidated affiliates	377	864	1,808	5,228
Minority interests	2,723	2,410	5,482	4,804
Income before income taxes	(3,600)	16,608	2,140	23,258
Provision (benefit) for income taxes	(172)	6,435	2,685	9,753
Net income (loss)	$ (3,428)	$ 10,173	$ (545)	$ 13,505
Earnings (loss) per common share - basic	$ (0.06)	$ .17	$ (0.01)	$ .23
Earnings (loss) per common share - assuming dilution	$ (0.06)	$ .17	$ (0.01)	$ .23

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	For the Six Months Ended	
	December 24, 2000	December 26, 1999
	(Amounts in Thousands)	
Cash and cash equivalents provided by operating activities	$ 63,978	$ 58,744
Investing activities:		
Capital expenditures	(27,993)	(30,874)
Acquisitions	(2,148)	--
Investments in unconsolidated equity affiliates	(5,555)	(17,976)
Investment of foreign restricted cash	(6,245)	--
Sale of capital assets	804	867
Other	(1,648)	687
Net investing activities	(42,785)	(47,296)
Financing activities:		
Borrowing of long-term debt	284,687	10,000
Repayment of long-term debt	(271,289)	(20,132)
Issuance of Company common stock	--	14
Purchase and retirement of Company common stock	(16,507)	(3,708)
Distributions to minority interest shareholders	(6,000)	(6,000)
Other	(2,383)	(3,040)
Net financing activities	(11,492)	(22,866)
Currency translation adjustment	(290)	1,332
Net increase (decrease) in cash and cash equivalents	9,411	(10,086)
Cash and cash equivalents - beginning	18,778	44,433
Cash and cash equivalents - ending	$ 28,189	$ 34,347

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 24, 2000, and the results of operations and cash flows for the periods ended December 24, 2000, and December 26, 1999. Such adjustments consisted of normal recurring items. 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.

(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 losses of foreign subsidiaries that are taxed at rates typically lower than the U.S. statutory rates thereby distorting the effective tax rate for our consolidated operations.

(c) Comprehensive Income (Loss)

Comprehensive income (loss) amounted to $(1.1) million for the second quarter of fiscal 2001 and $(8.7) million for the year to date compared to $7.1 million and $6.3 million for the prior year quarter and year-to-date periods, respectively. Comprehensive income (loss) was comprised of net income and foreign currency translation adjustments for all periods. In addition, the current year periods also include unrealized gains and (losses) on foreign currency derivative contracts totaling $1.6 million and $(1.0) million, for the quarter and year to date. The Company does not provide income taxes on the impact of currency translations as earnings from foreign subsidiaries are deemed to be permanently invested.

(d) 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 Six Months Ended	
	December 24, 2000	December 26, 1999	December 24, 2000	December 26, 1999
Numerator:				
Net income (loss)	$ (3,428)	$ 10,173	$ (545)	$ 13,505

	For the Quarters Ended		For the Six Months Ended	
	December 24, 2000	December 26, 1999	December 24, 2000	December 26, 1999
Denominator:				
Denominator for basic earnings per share - Weighted average shares	53,641	59,266	54,122	59,407
Effect of dilutive securities:				
Stock options	--	49	--	25
Restricted stock awards	--	3	--	1
Dilutive potential common shares denominator for diluted earnings per share-Adjusted weighted average shares and assumed conversions	53,641	59,318	54,122	59,433

(e) 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 established standards for public companies for the reporting of financial information from operating segments in annual and interim financial statements as well as 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. Following is the Company's selected segment information for the quarters and year-to-date periods ended December 24, 2000, and December 26, 1999 (amounts in thousands):

	Polyester	Nylon	UTG	Total
Quarter ended December 24, 2000:				
Net sales to external customers	$ 204,296	$ 85,238	$ 6,739	$ 296,273
Intersegment net sales	4	--	2,762	2,766
Segment operating income (loss)	7,714	4,373	(2,313)	9,774
Depreciation and amortization	14,157	5,579	286	20,022
Total assets	638,307	356,444	19,576	1,014,327
Quarter ended December 26, 1999:				
Net sales to external customers	$ 208,684	$ 104,049	$ 4,856	$ 317,589
Intersegment net sales	1	182	3,003	3,186
Segment operating income	17,512	12,369	299	30,180
Depreciation and amortization	13,425	5,443	224	19,092
Total assets	694,083	354,622	15,609	1,064,314

	For the Quarters Ended	
	December 24, 2000	December 26, 1999
Operating income:		
Reportable segments operating income	$ 9,774	$ 30,180
Net standard cost adjustment to LIFO	1,215	(1,346)
Unallocated operating expense	(839)	(1,096)
Consolidated operating income	$ 10,150	$ 27,738

	Polyester	Nylon	UTG	Total
Six months ended December 24, 2000:				
Net sales to external customers	$ 421,825	$ 177,817	$ 12,653	$ 612,295
Intersegment net sales	45	--	5,727	5,772
Segment operating income (loss)	25,206	10,634	(3,930)	31,910
Depreciation and amortization	29,071	11,220	560	40,851
Six months ended December 26, 1999:				
Net sales to external customers	$ 401,795	$ 210,707	$ 9,801	$ 622,303
Intersegment net sales	4	291	6,012	6,307
Segment operating income	28,076	22,327	780	51,183
Depreciation and amortization	28,100	10,792	380	39,272

	For the Six Months Ended	
	December 24, 2000	December 26, 1999
Operating income:		
Reportable segments operating income	$ 31,910	$ 51,183
Net standard cost adjustment to LIFO	1,217	(2,346)
Unallocated operating expense	(1,349)	(1,262)
Consolidated operating income	$ 31,778	$ 47,575

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, the provision for bad debts and capitalization of property, plant and equipment costs. 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. Segment operating income excludes $2.4 million and $0.8 million of provision for bad debts in the current and prior year quarters, respectively. 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.

"UTG" is the Company's majority-owned information services consulting subsidiary, Unifi Technology Group, Inc.

The total assets for the polyester segment decreased from $695.4 million at June 25, 2000 to $638.3 million at December 24, 2000 due mainly to reduced accounts receivable and inventories.

(f) Accounting for Derivatives

Effective June 26, 2000, the Company adopted Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which requires that all derivative instruments be reported on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. 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 the derivatives are either 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 is immediately recognized in earnings.

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 the 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 entered into principally 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.

The Company has a risk management policy that authorizes certain designated individuals to enter into derivative contracts to mitigate economic and accounting risk associated with currency and interest rate exposures in the ordinary course of business. This policy permits the use of forward currency purchase or sales contracts associated with the anticipated collection of accounts receivable on foreign denominated sales and the purchase or sale of assets in foreign currencies. This policy also allows the use of those derivative instruments that hedge the Company's interest rate exposures associated with fixed or floating rate debt. Any derivative contract authorized by this risk management policy with notional amounts in excess of $1 million requires the specific approval of the Treasurer and the Chief Financial Officer. In no circumstances does the policy permit entering into derivative contracts for speculative purposes.

The Company maintains forward currency contracts that are designated as fair value hedges. The derivative contracts in place that are classified as fair value hedges cover 100% of the foreign currency exchange rate exposure associated with the purchase of certain foreign denominated fixed assets. The latest maturity date for such contracts is January 2002. The ineffective portion of these contracts is primarily the difference in the spot exchange rates and the forward contract rates. The loss associated with such contracts in the current quarter was immaterial and is included in other (income) expense in the Condensed Consolidated Statements of Operations.

The Company utilizes foreign exchange contracts designated as cash flow hedges. These contracts are entered into to hedge foreign currency exchange rate exposures on anticipated purchases denominated in various foreign currencies. The latest maturity date for such contracts is June 2001. The amount of gain or loss relating to hedge ineffectiveness is attributable to the differences between the spot rates and forward contract rates. Such amounts were not material for the quarter and are included in other (income) expense in the Condensed Consolidated Statements of Income. Gains and losses on these instruments are deferred in other comprehensive income until the underlying transaction is recognized in earnings. As a result of the determination that certain anticipated Euro denominated machinery purchases were no longer expected to occur, the Company recognized a loss of $1.6 million upon adoption which is included in other (income) expense in the Condensed Consolidated Statements of Operations. An additional loss of approximately $0.5 million was recorded in the current quarter as the Euro further weakened prior to unwinding the contracts associated with the transactions that were no longer expected to occur. The unrealized losses included in Accumulated Other Comprehensive Loss will be reclassified into earnings as depreciation expense for those contracts entered into for anticipated machinery purchases or will be capitalized on the balance sheet as an adjustment to long-term investments.

(g) Alliances

On September 13, 2000, the Company and SANS Fibres of South Africa formed a 50/50 joint venture (UNIFI SANS Technical Fibers, LLC or UNIFI-SANS) to produce low-shrinkage high tenacity nylon 6.6 light denier industrial (LDI) yarns in North Carolina. UNIFI-SANS will also incorporate the two-stage light denier industrial nylon yarn business of Solutia, Inc. which was purchased by SANS Fibres. Solutia will exit the two-stage light denier industrial yarn business transitioning production from its Greenwood, SC site to the UNIFI-SANS facility in North Carolina. Unifi will manage the day-to-day production and shipping of the LDI produced in North Carolina and SANS Fibres will handle technical support and sales. Annual LDI production capacity from the joint venture is estimated to be approximately 9.6 million pounds.

On September 27, 2000, Unifi and Nilit Ltd., located in Israel, closed the previously announced 50/50 joint venture to be called U.N.F. Industries Ltd. The joint venture will produce approximately 22.0 million pounds of nylon POY at Nilit's manufacturing facility in Migdal Ha - Emek, Israel. The nylon POY will be utilized in the Company's nylon texturing and covering operations.

(h) Debt Refinancing

Effective December 20, 2000, the Company refinanced its $400 million credit facility due to expire in April 2001, with a new unsecured three year $250 million revolving bank credit facility. Additionally, the Company entered into a $100 million trade receivables financing agreement that is secured by its domestic and certain foreign accounts receivable. As of December 24, 2000, the Company had unused capacity of approximately $121.5 million under the terms of the new credit facility and had outstanding borrowings of $93.0 million through its trade receivables financing agreement.

Loans under the new credit facility initially bear interest at LIBOR plus .825% and advances under the receivables financing agreement will bear interest at the applicable commercial paper rate plus .30%. The financial and negative covenants in the new credit facility are materially comparable to the financial and negative covenants in the $400 million credit facility.

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 6.7% for the quarter from $317.6 million to $296.3 million and 1.6% for the year to date. Unit volume for the quarter decreased 6.2% while average unit sales prices, based on product mix, remained relatively stable. For the year to date, unit volume declined approximately 2.6%, while unit prices were virtually unchanged.

At the segment level, polyester accounted for 69% of dollar sales and nylon accounted for 29% for the quarter.

Sales for our polyester segment declined 2.1% for the quarter and increased 5.0% for the year to date. Quarter and year-to-date volumes for this segment include our dyed yarn facility in England that was not present in either of the prior year periods.

Geographically, our domestic polyester unit volume decreased 13.0% for the December quarter compared to the December quarter a year ago and 6.7% compared with the September 2000 quarter. For the year to date, our domestic polyester unit volume decreased 9.3% over the prior year. Domestic polyester pricing on sales of first quality goods remained stable quarter over quarter and improved over the prior year quarter and year-to-date periods. Sales in local currency for our Brazilian operation were up significantly for the quarter and for the year to date relative to the prior year corresponding periods. Volume from our Brazilian operations remained stable quarter over quarter but is up significantly over both the prior year periods. Per unit selling prices declined in the current quarter relative to the prior year quarter and are up slightly over the prior year to date. Sales in local currency of our Irish operation increased 6.3% for the quarter compared to the prior year due to increased sales prices and 13.5% for the year-to-date period due to both increased sales prices and volume. 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 the Irish operation. U.S. dollar net sales were $5.1 million less than what sales would have been reported using prior year translation rates for the quarter and $8.3 million less for the year to date.

Our domestic nylon unit volume declined 8.1% for the December quarter compared to the December quarter a year ago and 2.1% compared with the September 2000 quarter. For the year to date, volumes for this operation were down 8.8%.

Results for our majority-owned information systems consulting subsidiary, Unifi Technology Group, reflect higher sales for the current quarter and year-to-date periods compared to the prior year corresponding periods. Operating losses for the quarter and year to date include a $2.8 million charge to exit certain leases as further discussed below.

Many adverse factors occurred simultaneously in the second quarter contributing to the previously mentioned results. Retail sales of apparel during the critical holiday selling season were off significantly, and many customers of Unifi focused on driving down inventory levels, which drove declines in our domestic polyester and nylon unit volume. Consumer demand for sheer hosiery and seamless apparel continued their decline, which continued to cause softness in our nylon business. We are not anticipating a reversal of these trends in the near term for the nylon operations. Also, the strong U.S. dollar continued to negatively impact export sales from the U.S.

Gross profit decreased $13.7 million for the quarter to $28.0 million and $10.3 million for the year to date to $65.7 million. Gross margin (gross profit as a percentage of sales) decreased from 13.1% to 9.5% for the quarter and from 12.2% to 10.7% for the year to date, respectively. The declines in gross profit and gross margins for the current year periods reflects higher average raw material costs for both of the Company's yarn segments. Conversion costs for the Company are also higher as a percentage of sales for our nylon segment. This is primarily due to the reduced sales levels experienced for both the quarter and the year-to-date periods. Company wide, the lack of volume predictability given current retail conditions, customer operating schedules and consumer confidence levels will continue to have an adverse impact on our results. Until market demand improves and volumes return, our profitability will continue to suffer.

The transition plan encompassed in the DuPont Alliance is on schedule and we are nearing the point where we should be able to realize some of the economic and product quality benefits that the Alliance offers.

Selling, general and administrative expenses as a percentage of net sales, increased from 4.4% in last year's quarter to 6.0% this quarter. On a dollar basis, selling, general and administrative expense increased $3.9 million to $17.9 million. For the year-to-date period, selling, general, and administrative expenses increased $5.5 million to $33.9 million, or from 4.6% of net sales to 5.5%. Impacting the current periods is a $2.8 million charge taken to exit certain leases stemming from restructuring of the Unifi Technology Group to focus on its two core businesses. In addition, these higher costs reflect the increasing complexities of the global sales yarn market and the Company's focused efforts to strategically expand our world-wide presence through acquisitions and alliances and to better position our products and serve our customers through more comprehensive marketing and business-to-business efforts.

Corporate

Interest expense increased $1.0 million to $8.5 million in the current quarter and $1.8 million to $16.8 million for the year-to-date. The increase in interest expense reflects higher average interest rates, offset in part by the increase in interest capitalized for major construction projects, specifically our nonwoven facility. Also for the current year-to-date period, the outstanding debt was higher than the corresponding prior year period increasing our interest expense. The weighted average interest rate on outstanding debt at December 24, 2000, was 6.8%.

Other income and expense was impacted in the current quarter by a charge of $0.5 million in currency losses associated with the unwinding of certain Euro-based hedges originally secured to purchase machinery, which were subsequently determined to be no longer necessary. This is in addition to a $1.6 million charge recorded in the first quarter. Other income and expense for the current year quarter also includes an $85 thousand provision for bad debts. For the current year-to-date period, the bad debt provision was $2.6 million compared to $0.4 million for the prior year to date.

Equity in the earnings (losses) of our unconsolidated affiliates, Parkdale America, LLC ("the LLC") and Micell Technologies, Inc., ("Micell") amounted to $(0.4) million in the quarter of fiscal 2001 compared with $(0.9) million for the corresponding prior year quarter. For the year to date, our share of the losses in these entities totaled $1.8 million compared to $5.2 million in the prior year. Going forward, we expect the operating results of Parkdale America to improve as we move through the fiscal year due mainly to volume growth achieved through recently announced spinning contracts with verticals agreeing to outsource their production.

The minority interest charge was $2.7 million in the current year fiscal quarter compared to $2.4 million in the prior year quarter and $5.5 million for the year to date compared to $4.8 million in the prior year.

The Company's income tax provision (benefit) for both current year periods reflects the effects of earnings and losses in our foreign subsidiaries that are taxed at rates typically lower than the U.S. statutory rate.

As a result of the above, the Company realized during the current quarter net income (loss) of $(3.4) million, or diluted earnings (loss) per share of $(.06), compared to $10.2 million, or $.17 per share, for the corresponding quarter of the prior year, and $(0.5) million or $(.01) per share compared to $13.5 million or $.23 per share for the respective year-to-date periods.

Effective June 26, 2000, the Company adopted Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which requires that all derivative instruments be reported on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. 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 the derivatives are either 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 is immediately recognized in earnings.

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 the 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 entered into principally 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.

The Company has a risk management policy that authorizes certain designated individuals to enter into derivative contracts to mitigate economic and accounting risk associated with currency and interest rate exposures in the ordinary course of business. This policy permits the use of forward currency purchase or sales contracts associated with the anticipated collection of accounts receivable on foreign denominated sales and the purchase or sale of assets in foreign currencies. This policy also allows the use of those derivative instruments that hedge the Company's interest rate exposures associated with fixed or floating rate debt. Any derivative contract authorized by this risk management policy with notional amounts in excess of $1 million requires the specific approval of the Treasurer and the Chief Financial Officer. In no circumstances does the policy permit entering into derivative contracts for speculative purposes.

The Company maintains forward currency contracts that are designated as fair value hedges. The derivative contracts in place that are classified as fair value hedges cover 100% of the foreign currency exchange rate exposure associated with the purchase of certain foreign denominated fixed assets. The latest maturity date for such contracts is January 2002. The ineffective portion of these contracts is primarily the difference in the spot exchange rates and the forward contract rates. The loss associated with such contracts in the current quarter was immaterial and is included in other (income) expense in the Condensed Consolidated Statements of Income.

The Company utilizes foreign exchange contracts designated as cash flow hedges. These contracts are entered into to hedge foreign currency exchange rate exposures on anticipated purchases denominated in various foreign currencies. The latest maturity date for such contracts is June 2001. The amount of gain or loss relating to hedge ineffectiveness is attributable to the differences between the spot rates and forward contract rates. Such amounts were not material for the quarter and are included in other (income) expense in the Condensed Consolidated Statements of Income. Gains and losses on these instruments are deferred in other comprehensive income until the underlying transaction is recognized in earnings. As a result of the determination that certain anticipated Euro denominated machinery purchases were no longer expected to occur, the Company recognized a loss of $1.6 million upon adoption which is included in other (income) expense in the Condensed Consolidated Statements of Operations. An additional loss of approximately $0.5 million was recorded in the current quarter as the Euro further weakened prior to unwinding the contracts associated with the transactions that were no longer expected to occur. The unrealized losses included in Accumulated Other Comprehensive Loss will be reclassified into earnings as depreciation expense for those contracts entered into for anticipated machinery purchases or will be capitalized on the balance sheet as an adjustment to long-term investments.

On September 13, 2000, the Company and SANS Fibres of South Africa formed a 50/50 joint venture (UNIFI - SANS Technical Fibers, LLC or UNIFI-SANS) to produce low-shrinkage high tenacity nylon 6.6 light denier industrial (LDI) yarns in North Carolina. UNIFI-SANS will also incorporate the two-stage light denier industrial nylon yarn business of Solutia, Inc. which was purchased by SANS Fibres. Solutia will exit the two-stage light denier industrial yarn business transitioning production from its Greenwood, SC site to the UNIFI-SANS facility in North Carolina. Unifi will manage the day-to-day production and shipping of the LDI produced in North Carolina and SANS Fibres will handle technical support and sales. Annual LDI production capacity from the joint venture is estimated to be approximately 9.6 million pounds.

On September 27, 2000, Unifi and Nilit Ltd., located in Israel, closed the previously announced 50/50 joint venture to be called U.N.F. Industries Ltd. The joint venture will produce approximately 22.0 million pounds of nylon POY at Nilit's manufacturing facility in Migdal Ha - Emek, Israel. The nylon POY will be utilized in the Company's nylon texturing and covering operations.

Liquidity and Capital Resources

Cash generated from operations was $64.0 million for the year-to-date ended December 24, 2000, compared to $58.7 million for the prior year corresponding period. The primary sources of cash from operations were decreases in accounts receivable of $30.2 million, inventories of $4.8 million, and non-cash adjustments aggregating $48.7 million. Depreciation and amortization of $44.5 million, deferred income tax provision of $2.0 million and losses of unconsolidated affiliates of $2.2 million were the primary components of the non-cash adjustments to cash provided by operations. Offsetting these sources were decreases in accounts payable and accruals and income taxes of $18.9 million and $3.2 million, respectively. All working capital changes have been adjusted to exclude the effects of acquisitions and currency translation.

The Company ended the current quarter with working capital of $225.0 million, which included cash and cash equivalents of $28.2 million.

The Company utilized $42.8 million for net investing activities and $11.5 million from net financing activities during the current year. Significant expenditures during this period included $28.0 million for capital expenditures consisting of construction costs for the Company's Unifi Technical Fabrics nonwoven facility and installment payments for related equipment and for upgrading other machinery and facilities and $2.1 million in acquisitions. Additionally, $6.0 million was expended for distributions to minority interest shareholders, $5.6 million for investment in unconsolidated equity affiliates and $16.5 for repurchases of the Company's common stock. Also, the Company obtained $13.4 million in net borrowings during this period and invested, on a long-term basis, $6.2 million of restricted cash from the Brazilian government. During the current quarter, the Company refinanced its existing revolving credit facility, which was scheduled to mature in April 2001. See below for further discussion.

At December 24, 2000, the Company was committed to spend $27.9 million for capital expenditures. This amount includes associated costs for the nonwoven facility and related equipment. The majority of these committed costs are scheduled to be expended during fiscal year 2001.

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, additional analysis is performed to determine the amount of loss to be recognized. The Company continues to evaluate for impairment the carrying value of its polyester natural textured operations as the importation of fiber, fabric and apparel continues to impair sales volumes and margins for these operations and has negatively impacted the U.S. textile and apparel industry in general.

The Board of Directors, effective July 26, 2000, increased the remaining authorization to repurchase up to 10.0 million shares of Unifi's common stock. The Company purchased 1.4 million shares during the first two fiscal quarters of the current year for a total of $16.5 million. As of January 28, 2001, there remains an authorization to repurchase approximately 8.6 million shares. The Company will continue to operate its stock buy-back program from time to time as it deems appropriate and financially prudent. However, the Company presently does not anticipate significant share repurchases until debt is reduced to an acceptable level.

Effective December 20, 2000, the Company refinanced its $400 million credit facility due to expire in April 2001, with a new unsecured three year $250 million revolving bank credit facility. Additionally, the Company entered into a $100 million trade receivables financing agreement that is secured by its domestic and certain foreign accounts receivable. As of

December 24, 2000, the Company had unused capacity of approximately $121.5 million under the terms of the new credit facility and had outstanding borrowings of $93.0 million through its trade receivables financing agreement.

Loans under the new credit facility initially bear interest at LIBOR plus .825% and advances under the receivables financing agreement will bear interest at the applicable commercial paper rate plus .30%. The financial and negative covenants in the new credit facility are materially comparable to the financial and negative covenants in the $400 million 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.

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 4. Submission of Matters to a Vote of Security Holders

The Shareholders of the Company at their Annual Meeting held on the 26th day of October 2000, 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 2003 or until their successors are elected and qualified, as follows:

Name of Director	Votes in Favor	Votes Against	Votes Abstaining
G. Allen Mebane, IV	45,283,525	0	228,298
Brian R. Parke	45,302,932	0	208,891
J.B. Davis	45,305,069	0	206,754
R. Wiley Bourne, Jr.	45,303,894	0	207,929

The following persons will continue to serve on the Company's Board of Directors until the Annual Meeting of Shareholders in 2001 for Class 1 and 2002 for Class 2:

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

It should be noted that Jerry W. Eller subsequently resigned as a director of the Company at the Company's Board of Directors meeting following the Annual meeting of the Shareholders. Mr. Eller's resignation from the Board was not due to any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

The information set forth under the headings "Election of Directors", "Nominees for Election as Directors", "Directors Remaining in Office", and "Security Holding of Directors, Nominees, and Executive Officers" on Pages 2-6 of the Definitive Proxy Statement filed with the Commission since the close of the registrant's fiscal year ending June 25, 2000 is incorporated herein by reference.

Item 6. Exhibits and Reports on Form 8-K

(a) None

(b) No reports on Form 8-K have been filed during the quarter ended December 24, 2000

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 7, 2001	/s/ Willis C. Moore, III
	Willis C. Moore, III Executive Vice President and Chief Financial Officer (Mr. Moore is the Principal Financial Officer and has been duly authorized to sign on behalf of the Registrant.)
Date: February 7, 2001	/s/ Edward A. Imbrogno
	Edward A. Imbrogno Chief Accounting Officer