



FORM 10-K

UNIFI INC – UFI

Filed: September 28, 1998 (period: June 28, 1998)

Annual report which provides a comprehensive overview of the company for the past year

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

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

For the fiscal year ended
June 28, 1998

Commission File
Number 1-10542

UNIFI, INC.

(Exact name of Registrant as specified in its charter)

New York

11-2165495

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

7201 West Friendly Avenue
Greensboro, North Carolina

27410

(Address of principal executive offices)

(Zip Code)

Registrant's telephone no., including area code: (336) 294-4410

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange On Which Registered
Common Stock, par value \$.10 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Aggregate market value of the voting stock held by non-affiliated of the Registrant as of August 14, 1998, based on a closing price of \$23.875 per share: \$1,427,674,599.87

Number of shares outstanding as of August 14, 1998: 61,355,386

Documents Incorporated By Reference

Portions of the Annual Report to Shareholders of Unifi, Inc. for the fiscal year ended June 28, 1998, are incorporated by reference into Parts I and II hereof.

Portions of the definitive proxy statement for the Annual Meeting of the Shareholders of Unifi, Inc., to be held on October 22, 1998, are incorporated by reference into Part III.

Exhibits, Financial Statement Schedules and Reports on Form 8-K index is located on pages IV-1 through IV-6.

PART I

Item 1. Business:

Unifi, Inc., a New York corporation formed in 1969, together with its subsidiaries, hereinafter set forth, (the "Company" or "Unifi"), is one of the largest and most diversified processors of polyester and nylon yarns in the world. The Company is engaged in the business of texturing polyester and nylon filament fiber to produce polyester and nylon yarns, dyed yarns and spandex yarns covered with nylon and polyester. The Company sells its products to knitters and weavers that produce fabrics for the apparel, automotive upholstery, hosiery, home furnishings, industrial and other end use markets.

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

On June 30, 1997, the Company and Parkdale Mills, Inc. ("Parkdale") contributed cash, assets and certain liabilities associated with their respective open-end and air jet spun cotton yarn operations to a newly formed joint venture, Parkdale America, LLC ("Parkdale America"). As a result, the Company and Parkdale own a 34.0% and 66.0% equity interest in Parkdale America, respectively. Parkdale America is one of the largest and most diversified processors of spun cotton yarns in the world. The Company believes that its equity ownership in Parkdale America provides it with an opportunity to partner with the leading manufacturer in the cotton yarn industry and to increase the profitability of these operations through economies of scale and elimination of redundant overhead costs.

On November 14, 1997, the Company completed its \$55.8 million acquisition of SI Holding Company ("SI Holding"), a manufacturer of covered nylon yarns operating under the "Spanco" name, generating approximately \$85.0 million in annual sales.

On May 29, 1998, the Company and Burlington Industries, Inc. ("BI") contributed certain assets associated with their respective textured polyester yarn businesses to a newly formed limited liability company, Unifi Textured Polyester, LLC ("UTP"). Unifi contributed its textured polyester yarn facilities in Yarkinville, North Carolina and BI contributed its textured yarn operation in Mayodan, North Carolina. Unifi is the majority owner of the new entity (approximately 85%) and manages the business, while BI holds a minority interest. All yarn products are sold under the Unifi label. The Company's polyester texturing facility in Reidsville, North Carolina, which processes textured products for yarn dyeing, was not contributed to UTP.

The information included under "Year 2000 Compliance Status" on pages 35 and 36 of the Annual Report of the company for fiscal year ended June 28, 1998, is incorporated herein by reference.

SOURCES AND AVAILABILITY OF RAW MATERIALS:

The primary suppliers of POY to the Company are E. I. DuPont de Nemours and Company, Hoechst Celanese Corporation, Wellman Industries, Cookson Fibers, Inc., and Nan Ya Plastics Corp. of America with the majority of the Company's POY being supplied by DuPont. In addition, the Company has POY manufacturing facilities in Ireland, and recently began full-scale operation in its newly constructed, state-of-the-art manufacturing facility in Yadkinville, North Carolina, designed to further vertically integrate the Company's domestic polyester operations. Management expects this facility to provide approximately 25% of its total domestic POY supply needs. Management expects that all polyester fiber manufactured by this facility will be used by the Company. Although the Company is heavily dependent upon a limited number of suppliers, the Company has not had and does not anticipate any material difficulty in obtaining its raw POY.

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

CUSTOMERS: The Company in fiscal year ended June 28, 1998, sold its polyester and nylon yarns to approximately 1,260 customers, no one customer's purchases exceeded 10% of net sales during said period, the ten largest customers accounted for approximately 32% of total net sales. The Company does not believe that it is dependent on any one customer.

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

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

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

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

EMPLOYEES: The number of full-time employees of the Company is approximately 6,400.

FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC INTERNATIONAL OPERATIONS AND EXPORT SALES: The information included under the heading "Business Segments, Foreign Operations and Concentrations of Credit Risk" on Page 28 of the Annual Report of the Company to the Shareholders for the fiscal year ended June 28, 1998, is incorporated herein by reference.

Item 2. Description of Property:

The Company currently maintains a total of 24 manufacturing and warehousing facilities and one central distribution center in North Carolina, one manufacturing and related warehousing facility in Staunton, Virginia, one central distribution center in Fort Payne, Alabama, two manufacturing operations in Letterkenny, County of Donegal, Republic of Ireland and two warehousing locations in Carrickfergus, Northern Ireland. All of these facilities, which contain approximately 7,992,513 square feet of floor space, with the exception of one (1) plant facility leased from NationsBank Leasing and R.E. Corp. pursuant to a Sales-leaseback Agreement entered on May 20, 1997, as amended, and two warehouses in Carrickfergus, Northern Ireland, are owned in fee; and management believes they are in good condition, well maintained, and are suitable and adequate for present production.

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

The Company also leases its corporate headquarters building at 7201 West Friendly Avenue, Greensboro, North Carolina, which consists of a building containing approximately 121,125 square feet located on a tract of land containing approximately 8.99 acres. This property is leased from Merrill Lynch Trust Company of North Carolina, Trustee under the Unifi, Inc. Profit Sharing Plan and Trust, and Wachovia Bank & Trust Company, N.A., Independent Trustee. On May 20, 1996, the Company exercised its option to extend the term of the lease on this property for five (5) years, through March 13, 2002. Reference is made to a copy of the lease agreement attached to the Registrant's Annual Report on Form 10-K as Exhibit (10d) for the fiscal year ended June 28, 1987, which is by reference incorporated herein.

The information included under "Leases and Commitments" on Page 27 of the Annual Report of the Company to Shareholders for fiscal year ended June 28, 1998, is incorporated herein by reference.

Item 3. Legal Proceedings:

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

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

No matters were submitted to a vote of security holders during the fourth quarter for the fiscal year ended June 28, 1998.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

(a)(c) PRICE RANGE OF COMMON STOCK AND DIVIDENDS PAID.

The information included under the heading "Market and Dividend Information (Unaudited)" on Page 31 of the Annual Report of the Company to Shareholders for the fiscal year ended June 28, 1998, is incorporated herein by reference.

(b) Approximate Number of Equity Security Holders:

Title of Class	Number of Record Holders (as of August 14, 1998)
Common Stock, \$.10 par value	929

(c) CASH DIVIDEND POLICY. Effective July 16, 1998, the Board of Directors of the Company terminated its previously-established policy of April, 1990 of paying cash dividends equal to approximately 30% of the Company's after tax earnings for the previous year and authorized management of the Company to utilize cash equal to said 30% of previous year's earnings to purchase shares of the Company's stock, as, management deems advisable up to ten (10) million shares. Under said April 1990 cash dividend policy, the Company paid a quarterly dividend of \$.14 per share on its common stock for each quarter of the 1998 fiscal year.

Item 6. Selected Financial Data:

The financial data for the five fiscal years included under the heading "Summary of Selected Financial Data" on Page 30 of the Annual Report of the Company to Shareholders for the fiscal year ended June 28, 1998, is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations:

The information included under the heading "Management's Review and Analysis of Operations and Financial Position" beginning on Page 32 and ending on Page 36 of the Annual Report of the Company to Shareholders for the fiscal year ended June 28, 1998, is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

The information included under the heading "Derivative Financial Instruments and Fair Value of Financial Instruments" on Page 28 of the Annual Report of the Company to Shareholders for the fiscal year ended June 28, 1998, is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data:

The report of independent auditors, consolidated financial statements and notes beginning on Page 17 and ending on Page 29 and the information included under the heading "Quarterly Results (Unaudited)" on Page 31 of the Annual Report of the Company to Shareholders for the fiscal year ended June 28, 1998, are incorporated herein by reference.

Item 9. Change in and Disagreements With Accountants on Accounting and Financial Disclosure:

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

PART III

Item 10. Directors and Executive Officers of Registrant and Compliance with Section 16(a) of the Exchange Act:

(a) Directors of Registrant: The information included under the headings "Election of Directors", "Nominees for Election as Directors", "Security Holding of Directors, Nominees, and Executive Officers", "Directors' Compensation", "Committees of the Board of Directors", and compliance with Section 16(a) of The Securities and Exchange Act, beginning on Page 2 and ending on Page 6 and on page 12 of the definitive proxy statement filed with the Commission since the close of the Registrant's fiscal year ended June 28, 1998, and within 120 days after the close of said fiscal year, are incorporated herein by reference.

(b) Identification of Executive Officers:

Chairman of The Board of Directors

G. Allen Mebane, IV Mr. Mebane is 68 and has been an Executive Officer and member of the Board of Directors of the Company since 1971, and served as President and Chief Executive Officer of the Company, relinquishing these positions in 1980 and 1985, respectively. He was the Chairman of the Board of Directors for many years, Chairman of the Executive Committee from 1974 to 1995, and was elected as one of the three members of the Office of Chairman on August 8, 1991. On October 22, 1992, Mr. Mebane was again elected as Chairman of the Board of Directors.

President and Chief Executive Officer

William T. Kretzer Mr. Kretzer is 52 and served as a Vice President or Executive Vice President from 1971 until 1985. He has been the President and Chief Executive Officer since 1985. He has been a member of the Board of Directors since 1985 and has been Chairman of the Executive Committee since 1995.

Executive Vice Presidents

Jerry W. Eller Mr. Eller is 57 and has been a Vice President or Executive Vice President since 1975. He has been a member of the Board of Directors since 1985 and is a member of the Executive Committee.

G. Alfred Webster Mr. Webster is 50 and has been a Vice President or Executive Vice President since 1979. He has been a member of the Board of Directors since 1986 and is a member of the Executive Committee.

Senior Vice Presidents

Kenneth L. Huggins Mr. Huggins is 55, had been an employee of Macfield, Inc. since 1970 and, at the time of the Macfield merger with Unifi, was serving as a Vice President of Macfield and President of Macfield's Dyed Yarn Division. He was a Director of Macfield from 1989 until August 8, 1991, when Macfield, Inc. merged into and with Unifi. He is Senior Vice President and also Assistant to the President.

Raymond W. Maynard Mr. Maynard is 55 and has been a Vice President of the Company since June 27, 1971, and a Senior Vice President since October 22, 1992.

Willis C. Moore, III Mr. Moore is 45 and had been a Partner with Ernst & Young LLP, or its predecessors from 1985 until December, 1994, when he became employed by the Company as its Chief Financial Officer. Mr. Moore was elected as a Vice President of the Company on October 19, 1995, and is currently serving as a Senior Vice President and Chief Financial Officer.

Vice Presidents

James W. Brown, Jr. Mr. Brown is 46 and was an employee of Macfield from 1973 until the Macfield merger on August 8, 1991, when he became an employee of the Company. He became a Vice President of the Company on October 22, 1992, and he is currently serving as President of the Nylon/Covered Yarn Division of the Company.

Stewart O. Little Mr. Little is 45 and has been a Vice President of the Company since October 24, 1985. He is currently serving as President of the Polyester Division of the Company.

Ralph D. Mayes Mr. Mayes is 49 and had been a Vice President and Chief Information Officer of the Leggett Group from 1992 until September, 1994 when he became employed by the Company as its Chief Information Officer. Mr. Mayes was elected as a Vice President on October 20, 1994, and is currently serving as Vice President and Chief Information Officer.

These officers were elected by the Board of Directors of the Registrant at the Annual Meeting of the Board of Directors held on October 23, 1997. Each officer was elected to serve until the next Annual Meeting of the Board of Directors or until his successor was elected and qualified.

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

Item 11. Executive Compensation:

The information set forth under the headings "Compensation and Option Committees Interlocks and Insider Participation in Compensation Decisions", "Executive Officers and Their Compensation", "Employment and Termination Agreements", "Options Granted", "Option Exercises and Option/SAR Values", the "Report of the Compensation and Incentive Stock Option Committees on Executive Compensation", and the "Performance Graph-Shareholder Return on Common Stock" beginning on Page 6 and ending on Page 11 of the Company's definitive proxy statement filed with the Commission since the close of the Registrant's fiscal year ended June 28, 1998, and within 120 days after the close of said fiscal year, are incorporated herein by reference.

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

Item 12. Security Ownership of Certain Beneficial Owners and Management:

Security ownership of certain beneficial owners and management is the same as reported under the heading "Information Relating to Principal Security Holders" on Page 2 of the definitive proxy statement and under the heading "Security Holding of Directors, Nominees and Executive Officers" on Page 4 and Page 5 of the definitive proxy statement filed with the Commission pursuant to Regulation 14(a) within 120 days after the close of the fiscal year ended June 28, 1998, which are hereby incorporated by reference.

Item 13. Certain Relationships and Related Transactions:

The information included under the heading "Compensation and Option Committees Interlocks and Insider Participation In Compensation Decisions", on Page 6 of the definitive proxy statement filed with the Commission since the close of the Registrant's fiscal year ended June 28, 1998, and within 120 days after the close of said fiscal year, is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and 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.

September 28, 1998

BY: WILLIAM T. KRETZER

William T. Kretzer, President
(Chief Executive Officer)

September 28, 1998

BY: WILLIS C. MOORE, III

Willis C. Moore, III, Sr Vice President
(Chief Financial Officer)

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

September 28, 1998	Chairman and Director	G. ALLEN MEBANE, IV _____ G. Allen Mebane, IV
September 28, 1998	President, Chief Executive Officer and Director	WILLIAM T. KRETZER _____ William T. Kretzer
September 28, 1998	Senior Advisor to President and Director	ROBERT A. WARD _____ Robert A. Ward
September 28, 1998	Executive Vice President and Director	JERRY W. ELLER _____ Jerry W. Eller
September 28, 1998	Executive Vice President and Director	G. ALFRED WEBSTER _____ G. Alfred Webster
September 28, 1998	Director	CHARLES R. CARTER _____ Charles R. Carter

September 28, 1998	Director	KENNETH G. LANGONE _____ Kenneth G. Langone
September 28, 1998	Director	DONALD F. ORR _____ Donald F. Orr
September 28, 1998	Director	J.B. DAVIS _____ J. B. Davis
September 28, 1998	Director	R. WILEY BOURNE, JR. _____ R. Wiley Bourne, Jr.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) 1. Financial Statements

The following financial statements and report of independent auditors included in the Annual Report of Unifi, Inc. to its Shareholders for the fiscal year ended June 28, 1998, are incorporated herein by reference. With the exception of the aforementioned information and the information incorporated by reference in Items 1, 2, 5, 6, 7 7A and 8 herein, the 1998 Annual Report to shareholders is not deemed to be filed as part of this report.

	Annual Report Pages -----
Consolidated Balance Sheets at June 28, 1998 and June 29, 1997	18
Consolidated Statements of Income for the Years Ended June 28, 1998, June 29, 1997, and June 30, 1996	19
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended June 28, 1998, June 29, 1997 and June 30, 1996	20
Consolidated Statements of Cash Flows for the Years Ended June 28, 1998, June 29, 1997 and June 30, 1996	21
Notes to Consolidated Financial Statements	22 - 29
Management's Review and Analysis of Operations and Financial Position	32 - 36
Report of Independent Auditors	17
 (a) 2. Financial Statement Schedules	
	Form 10-K Pages
Schedules for the three years ended June 28, 1998:	
II - Valuation and Qualifying Accounts	IV-6

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

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

(a) 3. Exhibits

(2a-1) Contribution Agreement, dated June 30, 1997, by and between Parkdale Mills, Inc., Unifi, Inc., UNIFI Manufacturing, Inc., and Parkdale America, LLC, filed as Exhibit (2) to Unifi's Form 8-K filed with the Commission on July 15, 1997, which is incorporated herein by reference.

(3a) Restated Certificate of Incorporation of Unifi, Inc., dated July 21, 1994, (filed as Exhibit (3a) with the Company's Form 10-K for the fiscal year ended June 26, 1994), which is incorporated herein by reference.

(3b) Restated By-Laws of Unifi, Inc., (filed as Exhibit (3b) with the Company's Form 10-K for the fiscal year ended June 29, 1997), which is incorporated herein by reference.

(4a) Specimen Certificate of Unifi, Inc.'s common stock, filed as Exhibit 4(a) to the Registration Statement on Form S-1, (Registration No. 2-45405), which is incorporated herein by reference.

(4b) Unifi, Inc.'s Registration Statement for the 6 1/2% Notes due 2008, Series B, filed on Form S-4 (Registration No. 333-49243), which is incorporated herein by reference.

(10a) *Unifi, Inc. 1982 Incentive Stock Option Plan, as amended, filed as Exhibit 28.2 to the Registration Statement on Form S-8, (Registration No. 33-23201), which is incorporated herein by reference.

(10b) *Unifi, Inc. 1987 Non-Qualified Stock Option Plan, as amended, filed as Exhibit 28.3 to the Registration Statement on Form S-8, (Registration No. 33-23201), which is incorporated herein by reference.

(10c) *Unifi, Inc. 1992 Incentive Stock Option Plan, effective July 16, 1992, (filed as Exhibit (10c) with the Company's Form 10-K for the fiscal year ended June 27, 1993), and included as Exhibit 99.2 to the Registration Statement on Form S-8 (Registration No. 33-53799), which are incorporated herein by reference.

(10d) *Unifi, Inc.'s Registration Statement for selling Shareholders, who are Directors and Officers of the Company, who acquired the shares as stock bonuses from the Company, filed on Form S-3 (Registration No. 33-23201), which is incorporated herein by reference.

(10e) Unifi Spun Yarns, Inc.'s 1992 Employee Stock Option Plan filed as Exhibit 99.3 to the Registration Statement on Form S-8 (Registration No. 33-53799), which is incorporated herein by reference.

(10f) *Unifi, Inc.'s 1996 Incentive Stock Option Plan (filed as Exhibit 10(f) with the Company's Form 10-K for the fiscal year ended June 30, 1996), which is incorporated herein by reference.

(10g) *Unifi, Inc.'s 1996 Non-Qualified Stock Option Plan (filed as Exhibit 10(g) with the Company's Form 10-K for the fiscal year ended June 30, 1996), which is incorporated herein by reference.

(10h) Lease Agreement, dated March 2, 1987, between NationsBank, Trustee under the Unifi, Inc. Profit Sharing Plan and Trust, Wachovia Bank and Trust Co., N.A., Independent Fiduciary, and Unifi, Inc., (filed as Exhibit (10d) with the Company's Form 10-K for the fiscal year ended June 28, 1987), which is incorporated herein by reference.

(10i) Factoring Contract and Security Agreement and a Letter Amendment thereto, all dated as of May 25, 1994, by and between Unifi, Inc. and the CIT Group/DCC, Inc., (filed as Exhibit (10g) with the Company's Form 10-K for the fiscal year ended June 26, 1994), which are incorporated herein by reference.

(10j) Factoring Contract and Security Agreement, dated as of May 2, 1988, between Macfield, Inc., and First Factors Corp., and First Amendment thereto, dated September 28, 1990, (both filed as Exhibit (10g) with the Company's Form 10-K for the fiscal year ended June 30, 1991), and Second Amendment to the Factoring Contract and Security Agreement, dated March 1, 1992, (filed as Exhibit (10g) with the Company's Form 10-K for the fiscal year ended June 28, 1992), and Letter Agreement dated August 31, 1993 and Amendment to Factoring Contract and Security Agreement dated January 5, 1994, (filed as Exhibit (10h) with the Company's Form 10-K for the fiscal year ended June 26, 1994), which are incorporated herein by reference.

(10k) Factoring Agreement dated August 23, 1995, and a Letter Amendment thereto dated October 16, 1995, by and between Unifi, Inc. and Republic Factors Corp., (filed as Exhibit 10(k) with the Company's Form 10-K for the fiscal year ended June 30, 1996), which is incorporated herein by reference.

(10l) *Employment Agreement between Unifi, Inc. and G. Allen Mebane, dated July 19, 1990, (filed as Exhibit (10h) with the Company's Form 10-K for the fiscal year ended June 30, 1991), which is incorporated herein by reference.

(10m) *Employment Agreement between Unifi, Inc. and William T. Kretzer, dated July 19, 1990, (filed as Exhibit (10i) with the Company's Form 10-K for the fiscal year ended June 30, 1991), and Amendment to Employment Agreement between Unifi, Inc. and William T. Kretzer, dated October 22, 1992 (filed as Exhibit (10j) with the Company's Form 10-K for fiscal year ended June 27, 1993), which are incorporated herein by reference.

(10n) *Severance Compensation Agreement between Unifi, Inc. and William T. Kretzer, dated July 20, 1996, expiring on July 19, 1999 (similar agreements were signed with G. Allen Mebane, Robert A. Ward, Jerry W. Eller and G. Alfred Webster)(filed as Exhibit (10n) with the Company's Form 10-K for fiscal year ended June 30, 1996), which is incorporated herein by reference.

(10o) Credit Agreement, dated April 15, 1996, by and between Unifi, Inc. and The Several Lenders from Time to Time Party thereto and NationsBank, N.A. as agent, (filed as Exhibit (10o) with the Company's Form 10-K for the fiscal year ended June 30, 1996), which is incorporated herein by reference.

(10p) *Deferral Agreement, dated November 21, 1997, by and between Unifi, Inc. and William T. Kretzer, filed herewith.

(10q) *Severance Compensation Agreement between Unifi, Inc. and Willis C. Moore, III, dated July 16, 1998, expiring on July 20, 2001 (similar agreements were signed with James W. Brown, Jr., Kenneth L. Huggins, Stewart Q. Little, Ralph D. Mayes, and Raymond W. Maynard), filed herewith.

(13a) Portions of Unifi, Inc.'s 1998 Annual Report to Shareholders which are incorporated herein by reference, as a part of this Form 10-K for fiscal year ended June 28, 1998, filed herewith.

(13b-1)Report of Independent Auditors/Ernst & Young LLP - on the Consolidated Financial Statements of Unifi, Inc. as of June 28, 1998, and each of the three years in the period ended June 28, 1998.

(21) Subsidiaries of Unifi, Inc.

(23) Consent of Ernst & Young LLP

(27) Financial Data Schedule

(b) Reports on Form 8-K
None.

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

IV-5

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
UNIFI, INC. AND SUBSIDIARIES
JUNE 28, 1998
(in thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	
-----	-----	-----	-----	-----	
Additions					
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts- Describe	Deductions- Describe	Balance at End of Period
-----	-----	-----	-----	-----	-----

Allowance for doubtful accounts:

Year ended					
June 28, 1998	\$ 5,462	\$ 3,917	\$ 3,665(a)	\$ (4,819) (b)	\$ 8,225
Year ended					
June 29, 1997	6,595	4,390	-	(5,523) (b)	5,462
Year ended					
June 30, 1996	6,452	3,660	-	(3,517) (b)	6,595

(a) Primarily represents acquisition related adjustment to write-down acquired accounts receivable to fair market value.

(b) Includes uncollectible accounts written off and customer claims paid, net of certain recoveries.

Unrealized (gains)/losses on certain investments:

Year ended					
June 28, 1998	\$ -	\$ -	\$ -	\$ -	\$ -
Year ended					
June 29, 1997	-	-	-	-	-
Year ended					
June 30, 1996	(1,835)	-	1,835 (c)	-	-

(c) Represents the change in fair market value of the related investment securities and the entry to reflect the disposition of the underlying investments.

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EXHIBIT (10p)

DEFERRAL AGREEMENT

THIS DEFERRAL AGREEMENT ("Agreement"), effective the 21st day of November, 1997, between Unifi, Inc., a New York Corporation, ("Unifi"), and William T. Kretzer (hereinafter referred to as the "Executive");

W I T N E S S E T H :

WHEREAS, the Executive is the President and Chief Executive Officer as well as Chairman of the Executive Committee of Unifi; and,

WHEREAS, the Executive was granted stock options to purchase 163,668 shares of Unifi Common stock at an option price of \$4.80 per share (as adjusted for stock splits and stock dividends) on January 21, 1988 (the "Stock Option") under the Unifi, Inc. 1982 Incentive Stock Option Plan ("ISOP"); and,

WHEREAS, the exercise of the Stock Option would result in the Executive recognizing taxable compensation; and,

WHEREAS, the Executive and Unifi desire to enter into this Deferral Agreement to defer such taxable compensation as provided herein.

NOW THEREFORE, in consideration of the mutual covenants and promises hereinafter set forth, it is agreed as follows:

1. DEFERRAL. Pursuant to the second paragraph of Section 3 of his Incentive Stock Option Agreement dated January 21, 1988 with Unifi as amended effective November 21, 1997 ("ISOP" Agreement), the Executive will tender on or before January 20, 1998, to Unifi such number of his previously acquired outstanding shares of Unifi common stock that has been held for at least six (6) months and that has a fair market value equal to the exercise price of the Stock Option in exchange for an equivalent number of shares of Unifi common stock (the "Exchange Shares") and the right to receive 163,668 shares less the amount of Exchange Shares of Unifi common stock in the future ("Deferral Shares") under the terms of this Agreement. Unifi shall issue the Deferral Shares to the Trustee of the Unifi, Inc. Trust for Deferred Compensation Arrangements ("Trust").
2. INCOME ON SHARES. Any and all dividends paid on the Deferral Shares shall be held as additional deferral compensation for the Executive's account and distributed as provided in paragraph 3 hereof. Additionally, as of each January 1st and July 1st until all accumulated dividends are fully and finally paid out, Unifi shall pay to the Trust as additional deferral compensation for the Executive, interest on any accumulated dividends as heretofore provided in such amounts after considering the income generated by the Trusts on said accumulated dividends as is necessary to provide a rate of return equal to the Prime Rate as hereinafter described for the last business day preceding the applicable January 1st and July 1st plus three (3) percentage points (such sum being referred to as the "Interest Factor"), multiplied by the balance of said accumulated dividends, including the amount of Interest previously credited on such accumulated dividends as of the previous day (i.e., December 31st or June 30th). Said accumulated dividends and the interest thereon are hereafter referred to herein as "Accumulated Dividends".

The term "Prime Rate" used in this Agreement shall be the base rate on the Corporate loans posted by at least seventy-five (75%) percent of the nation's thirty (30) largest banks as reported in the Wall Street Journal or, if no longer published, a similar publication for the last business day preceding the applicable January 1st and July 1st.
3. DEFERRAL PERIOD. Ten (10) years from the date hereof the Executive or his designated beneficiary, if the Executive should die before the expiration of said ten (10) year period, will be entitled to receive the Deferral Shares and Accumulated Income in the form of equal annual distributions over a period of five (5) years.
4. DEATH OF EXECUTIVE. If the Executive should die prior to the time that all of his Deferral Shares and Accumulated Dividends (cumulatively referred to as "Deferral Compensation") have been completely distributed to him, the Executive's designated beneficiary will be entitled to receive the amount he was entitled to receive under paragraph 3 in the manner specified therein.
5. BENEFICIARIES. The Executive shall have the right at any time to name any person or persons (including his estate or any trust) as his beneficiary hereunder by filing written notice with the Compensation Committee. The Executive's last written designation to the Compensation Committee shall be deemed his last designated beneficiary. The Executive may name a contingent beneficiary or beneficiaries to receive payment in the event of the death of his primary beneficiary. If the Executive has not designated a beneficiary or his designated beneficiary is not alive when payments are due hereunder, the Executive's designated beneficiary shall be

deemed his estate. All designations of the Executive's beneficiary shall not be effective unless countersigned by a member of the Compensation Committee.

6. ASSIGNMENT. Except as specifically provided in paragraph 5 herein, relating to the designation of a beneficiary, neither the Executive nor his designated beneficiary may assign, transfer, pledge, encumber, or hypothecate this Agreement, or any rights hereunder, or any part hereof (whether by operation of law or otherwise), and this Agreement shall not be subject to the execution, attachment, or similar proceeding. Any attempted assignment, transfer, pledge, encumbrance, hypothecation, or other disposition of this agreement, contrary to the provisions hereof, and the levy of any attachment or similar proceedings upon this Agreement, shall be null and void and without effect.
7. NO VESTED BENEFIT. Nothing contained herein shall be deemed to give the Executive any vested interest in any specific assets of Unifi and no benefits to which the Executive or his beneficiary is entitled hereunder shall give the Executive any greater right to receive payment from Unifi than the right of an unsecured general creditor of Unifi.
8. TERMINATION BY BOARD. The Board of Directors ("Board") of Unifi, excluding the Executive if he is a member of the Board, may at any time, in its sole discretion, terminate this agreement and distribute to the Executive the balance of his Deferral Compensation at one time.
9. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the Executive and Unifi, and may not be altered, modified, amended, or rescinded except in writing, signed by the parties hereto. It is further understood that this Agreement shall inure to the benefit of the parties, their successors or assigns.
10. GOVERNING LAW. This Agreement, and the interpretation thereof, shall be governed by the laws of the State of North Carolina and shall be deemed to have been made in the State of North Carolina.

IN WITNESS WHEREOF, the parties have executed this Agreement, on the day and year first above written.

UNIFI, INC.

Date 11/21/97

By: _____ Willis C. Moore, III
Willis C. Moore, III
Senior Vice-President and
Chief Financial Officer

Date 11/21/97

William T. Kretzer
William T. Kretzer

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EXHIBIT (10q)

SEVERANCE COMPENSATION AGREEMENT

THIS AGREEMENT ("Agreement") between UNIFI, INC., a New York corporation (the "Company"), and WILLIS C. MOORE, III ("Executive") effective the 16th day of July, 1998.

WITNESSETH:

WHEREAS, WILLIS C. MOORE, III is presently a Senior Vice President and Chief Financial Officer for the Company, has been an Officer of the Company since 1995, and is and has been an integral part of the Company's Management; and

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

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

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

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

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

Section 2. Change in Control: No compensation shall be payable under this Agreement unless and until (a) there shall have been a Change in Control of the Company, while the Executive is still an employee of the Company and (b) the Executive's employment by the Company thereafter shall have been terminated in accordance with Section 3. For purposes of this Agreement, a Change in Control of the Company shall be deemed to have occurred if (i) there shall be consummated (x) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock would be converted into cash, securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company, or (ii) the Shareholders of the Company approved any plan or proposal for the liquidation or dissolution of the Company, or (iii) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of twenty percent (20%) or more of the Company's outstanding Common Stock, or (iv) during any period of two consecutive years, individuals who at the beginning of such period constitute the entire Board of Directors shall cease for any reason to constitute a majority thereof unless the election, or the nomination for election by the Company's Shareholders, of each new Director was approved by a vote of at least two-thirds of the Directors then still in office who were Directors at the beginning of the period.

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

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

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

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

(e) Good Reason: The Executive may terminate the Executive's employment for Good Reason at any time during the term of this Agreement. For purposes of this Agreement "Good Reason" shall mean any of the following (without the Executive's express written consent):

(i) the assignment to the Executive by the Company of duties inconsistent with the Executive's position, duties, responsibilities and status with the Company immediately prior to a Change in Control of the Company; or a change in the Executive's titles or offices as in effect immediately prior to a Change in Control of the Company; or any removal of the Executive from or any failure to reelect the Executive to any of the positions held prior to the change of control, except in connection with the termination of his employment for Disability, Retirement, or Cause, or as a result of the Executive's Death; or by the Executive other than for Good Reason;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) The Company shall, upon the termination of the Executive's employment other than by Death, Disability (as defined in Section 3(b)), Retirement (as defined in Section 3(c)) or Cause (as defined in Section 3(d)), or the termination of the Executive's employment by the Executive without Good Reason, maintain in full force and effect, for the Executive's continued benefit until the earlier of (a) two years after the Date of Termination or (b) Executive's commencement of full time employment with a new employer, all life insurance, medical, health and accident, and disability plans, programs or arrangements in which he was entitled to participate immediately prior to the Date of Termination, provided that his continued participation is possible under the general terms and provisions of such plans and programs. In the event the Executive is ineligible under the terms of such plans or programs to continue to be so covered, the Company shall provide substantially equivalent coverage through other sources.

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

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

11 hereof shall in addition include such employer. In such event, the Company agrees that it shall pay or shall cause such employer to pay any amounts owed to the Executive pursuant to Section 4 hereof.

(b) If the Executive should die while any amounts are still payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's legatee, or other designee or, if there be no such designee, to the Executive's estate.

This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives or attorney-in-fact, executors or administrators, heirs, distributees and legatees.

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

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

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

If to the Executive:

Mr. Willis C. Moore, III
3801 Roundhill Road
Greensboro, NC 27408

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

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

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

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

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

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

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

UNIFI, INC.

BY: ROBERT A. WARD (SEAL)
Compensation Committee

WILLIS C. MOORE, III (SEAL)
WILLIS C. MOORE, III
Vice President and Chief Financial Officer

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EXHIBIT (13a)

Consolidated balance sheets

(Amounts in thousands)	June 28, 1998	June 29, 1997
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 8,372	\$ 9,514
Receivables	222,310	224,233
Inventories	137,201	142,263
Other current assets	1,308	3,688
Total current assets	369,191	379,698
Property, plant and equipment:		
Land	6,525	6,836
Buildings and air conditioning	206,559	216,441
Machinery and equipment	772,504	739,599
Other	160,034	184,272
	1,145,622	1,147,148
Less: accumulated depreciation	497,042	548,775
	648,580	598,373
Investment in unconsolidated affiliates	212,448	1,851
Other noncurrent assets	108,585	38,781
	\$ 1,338,804	\$ 1,018,703
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 93,922	\$ 119,623
Accrued expenses	43,939	35,854
Income taxes payable	5,218	6,887
Current maturities of long-term debt and other current liabilities	16,234	1,189
Total current liabilities	159,313	163,553
Long-term debt and other liabilities	463,967	255,799
Deferred income taxes	62,970	50,820
Minority interests	16,357	--
Shareholders' equity:		
Common stock	6,163	6,121
Capital in excess of par value	22,454	--
Retained earnings	618,128	545,099
Cumulative translation adjustment	(10,548)	(2,689)
	636,197	548,531
	\$ 1,338,804	\$ 1,018,703

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of income

(Amounts in thousands, except per share data)	June 28, 1998	June 29, 1997	June 30, 1996
Net sales	\$ 1,377,609	\$ 1,704,926	\$ 1,603,280
Costs and expenses:			
Cost of sales	1,149,838	1,473,667	1,407,608
Selling, general and administrative expense	43,277	46,229	45,084
Interest expense	16,598	11,749	14,593
Interest income	(1,869)	(2,219)	(6,757)
Other (income) expense	389	819	(4,390)
Equity in (earnings) losses of unconsolidated affiliates	(22,307)	399	--
Non-recurring charge	--	--	23,826
	1,185,926	1,530,644	1,479,964
Income before income taxes and other items listed below	191,683	174,282	123,316
Provision for income taxes	62,782	58,617	44,939
Income before extraordinary item and cumulative effect of accounting change	128,901	115,665	78,377
Extraordinary item (net of applicable income taxes of \$ 3,692)	--	--	5,898
Cumulative effect of accounting change (net of applicable income taxes of \$2,902)	4,636	--	--
Net income	\$ 124,265	\$ 115,665	\$ 72,479
Earnings per common share:			
Income before extraordinary item and cumulative effect of accounting change	\$ 2.10	\$ 1.83	\$ 1.19
Extraordinary item	--	--	.09
Cumulative effect of accounting change	.07	--	--
Net income per common share	\$ 2.03	\$ 1.83	\$ 1.10
Earnings per common share -- assuming dilution:			
Income before extraordinary item and cumulative effect of accounting change	\$ 2.08	\$ 1.81	\$ 1.18
Extraordinary item	--	--	.09
Cumulative effect of accounting change	.07	--	--
Net income per common share	\$ 2.01	\$ 1.81	\$ 1.09

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of Changes in shareholders' equity

(Amounts in thousands, except per share data)	Shares Outstanding	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Translation Adjustment	Unrealized Gains (Losses) on Certain Investments
Balance June 25, 1995	67,140	\$ 6,714	\$ 117,277	\$ 473,962	\$ 4,415	\$ 1,134
Purchase of stock	(2,347)	(235)	(55,315)	--	--	--
Options exercised	36	4	242	--	--	--
Conversion of 6% subordinated notes	2	--	51	--	--	--
Cash dividends -- \$.52 per share	--	--	--	(34,188)	--	--
Currency translation adjustments	--	--	--	--	(2,200)	--
Change in unrealized gains (losses) on certain investments	--	--	--	--	--	(1,134)
Net income	--	--	--	72,479	--	--
Balance June 30, 1996	64,831	6,483	62,255	512,253	2,215	--
Purchase of stock	(3,901)	(390)	(64,786)	(55,824)	--	--
Options exercised	280	28	2,531	(1,404)	--	--
Stock option tax benefit	--	--	--	2,307	--	--
Cash dividends -- \$.44 per share	--	--	--	(27,898)	--	--
Currency translation adjustments	--	--	--	--	(4,904)	--
Net income	--	--	--	115,665	--	--
Balance June 29, 1997	61,210	6,121	--	545,099	(2,689)	--
Purchase of stock	(539)	(54)	(618)	(19,515)	--	--
Options exercised	402	40	2,154	--	--	--
Stock option tax benefit	--	--	--	2,599	--	--
Stock issued for acquisition	561	56	20,918	--	--	--
Cash dividends -- \$.56 per share	--	--	--	(34,320)	--	--
Currency translation adjustments	--	--	--	--	(7,859)	--
Net income	--	--	--	124,265	--	--
Balance June 28, 1998	61,634	\$ 6,163	\$ 22,454	\$ 618,128	\$ (10,548)	\$ --

The accompanying notes are an integral part of the financial statements.

Consolidated Statements of cash flows

(Amounts in thousands)	June 28, 1998	June 29, 1997	June 30, 1996
Cash and cash equivalents at beginning of year	\$ 9,514	\$ 24,473	\$ 60,350
Operating activities:			
Net income	124,265	115,665	72,479
Adjustments to reconcile net income to net cash provided by operating activities:			
Extraordinary item (net of applicable income taxes)	--	--	5,898
Cumulative effect of accounting change (net of applicable income taxes)	4,636	--	--
(Earnings) losses of unconsolidated equity affiliates, net of distributions	(15,282)	399	--
Depreciation	65,033	85,533	79,628
Amortization	4,677	2,366	2,261
Non-cash portion of non-recurring charge	--	--	23,826
Gain on sale of investments	--	--	(4,476)
Deferred income taxes	12,201	17,157	(4,795)
Other	(350)	(85)	4,263
Changes in assets and liabilities, excluding effects of acquisitions and foreign currency adjustments:			
Receivables	9,628	(26,441)	9,428
Inventories	(793)	(10,032)	13,640
Other current assets	1,556	(462)	987
Payables and accruals	(25,213)	9,260	(5,865)
Income taxes	1,329	(9,524)	4,182
Net -- operating activities	181,687	183,836	201,456
Investing activities:			
Capital expenditures	(250,064)	(143,176)	(133,967)
Acquisitions	(25,776)	--	(48,444)
Investments in unconsolidated equity affiliates	(39,492)	(2,250)	--
Sale of capital assets	2,428	3,046	2,290
Purchase of investments	--	--	(60,474)
Sale of investments	--	--	149,015
Other	(2,755)	768	11,444
Net -- investing activities	(315,659)	(141,612)	(80,136)
Financing activities:			
Borrowing of long-term debt	440,273	187,500	225,000
Repayment of long-term debt	(252,844)	(100,513)	(284,949)
Premium paid on early retirement of debt	--	--	(7,657)
Issuance of Company stock	2,194	3,462	246
Stock option tax benefit	2,599	2,307	--
Purchase and retirement of Company stock	(20,187)	(121,000)	(55,550)
Cash dividends paid	(34,320)	(27,898)	(34,188)
Other	(4,006)	--	--
Net -- financing activities	133,709	(56,142)	(157,098)
Currency translation adjustment	(879)	(1,041)	(99)
Net increase (decrease) in cash and cash equivalents	(1,142)	(14,959)	(35,877)
Cash and cash equivalents at end of year	\$ 8,372	\$ 9,514	\$ 24,473

The accompanying notes are an integral part of the financial statements.

1. Accounting Policies and Financial Statement Information

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

FISCAL YEAR: The Company's fiscal year is the fifty-two or fifty-three weeks ending the last Sunday in June. The current year ended June 28, 1998, and the prior year ended June 29, 1997, consisted of fifty-two weeks. The year ended June 30, 1996, consisted of fifty-three weeks.

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

REVENUE RECOGNITION: Substantially all revenue from sales is recognized at the time shipments are made.

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

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

RECEIVABLES: Certain customer accounts receivable are factored without recourse with respect to credit risk. Factored accounts receivable at June 28, 1998, and June 29, 1997, were \$49.2 million and \$55.9 million, respectively. An allowance for losses is provided for known and potential losses rising from yarn quality claims and for customers not factored based on a periodic review of these accounts. Reserve for such losses was \$8.2 million at June 28, 1998, and \$5.5 million at June 29, 1997.

INVENTORIES: The Company utilizes the last-in, first-out (LIFO) method for valuing certain inventories representing 62.9% of all inventories at June 28, 1998, and the first-in, first-out (FIFO) method for all other inventories. Inventory values computed by the LIFO method are lower than current market values. Inventories valued at current or replacement cost would have been approximately \$8.9 million and \$13.9 million in excess of the LIFO valuation at June 28, 1998, and June 29, 1997, respectively. Finished goods, work in process, and raw materials and supplies at June 28, 1998, and June 29, 1997, amounted to \$77.4 million and \$72.0 million; \$14.8 million and \$11.8 million; and \$45.0 million and \$58.5 million, respectively.

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

OTHER NONCURRENT ASSETS: Other noncurrent assets at June 28, 1998, and June 29, 1997, consist primarily of the cash surrender value of key executive life insurance policies (\$7.1 million and \$6.5 million, respectively); unamortized bond issue costs (\$7.5 million at June 28, 1998); and acquisition related assets consisting of the excess cost over fair value of net assets acquired and other intangibles (\$83.9 million and \$32.1 million, respectively). Bond issue costs are being amortized on the straight-line method over the life of the bonds which approximates the effective interest method. The acquisition related assets are being amortized on the straight-line method over periods ranging between five and thirty years. Accumulated amortization at June 28, 1998 and June 29, 1997, for bond issue costs and acquisition related assets was \$11.2 million and \$3.7 million, respectively.

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

INCOME TAXES: The Company and its domestic subsidiaries file a consolidated federal income tax return. Income tax expense is computed on the basis of transactions entering into pretax operating results. Deferred income taxes have been provided for the tax effect of temporary differences between financial statement carrying amounts and the tax bases of existing assets and liabilities. Income taxes have not been provided for the undistributed earnings of certain foreign subsidiaries as such earnings are deemed to be permanently invested.

EARNINGS PER SHARE: 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 at such time 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. The effect of the convertible subordinated notes, which were redeemed in April 1996, was anti-dilutive for fiscal 1996. Accordingly, diluted weighted average shares for 1996 exclude the convertible effect of these notes.

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

(Amounts in thousands)	June 28, 1998	June 29, 1997	June 30, 1996

Numerator:			
Income before extraordinary item and cumulative effect of accounting change	\$128,901	\$115,665	\$78,377
Extraordinary item	--	--	5,898
Cumulative effect of accounting change	4,636	--	--

Net income	\$124,265	\$115,665	\$72,479

Denominator:			
Denominator for basic earnings per share -- weighted average shares	61,331	63,294	65,727
Effect of dilutive securities:			
Stock options	525	641	484

Diluted potential common shares denominator for diluted earnings per share -- adjusted weighted average shares and assumed conversions	61,856	63,935	66,211

STOCK-BASED COMPENSATION: FASB Statement No. 123, "Stock-Based Compensation," (SFAS 123) became effective beginning with the Company's first quarter of fiscal 1997. With adoption of SFAS 123, the Company elected to continue to measure compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." Had the fair value-based method encouraged by SFAS 123 been applied, compensation expense would have been recorded on 270,500 options granted in fiscal 1997 (which vest over a two year period) and 283,000 options granted in fiscal 1996. No options were granted in fiscal 1998. Net income in fiscal 1998, 1997 and 1996 restated for the effect would have been \$122.8 million or \$1.98 per diluted share, \$115.1 million or \$1.80 per diluted share and \$70.1 million or \$1.06 per diluted share, respectively. The fair value and related compensation expense of the 1997 and 1996 options were calculated as of the issuance date using the Black-Scholes model with the following assumptions:

Options Granted	1997	1996

Expected life (years)	10.0	10.0
Interest rate	6.18%	6.87%
Volatility	31.1%	34.0%
Dividend yield	1.72%	1.93%

RECENT ACCOUNTING PRONOUNCEMENTS: In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," (SFAS 130) which the Company is required to adopt in the first quarter of fiscal 1999. 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 foreign currency translation adjustments, unrealized gains and losses on available-for-sale securities and certain minimum pension liabilities. Foreign currency translation adjustments presently represent the primary component of comprehensive income for the Company. The Company expects to reflect comprehensive income in its consolidated statement of changes in shareholders' equity when this standard is adopted. Results of operations and financial position, however, will be unaffected by the implementation of this standard.

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 the Company is required to adopt 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 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 consolidated results of operations or financial position.

In March 1998, the AICPA issued SOP 98-1, "Accounting for the Cost of Computer Software Developed for or Obtained for Internal Use," (SOP 98-1). This SOP is effective for the Company in the first quarter of fiscal year 2000, if not previously adopted. SOP 98-1 will require the capitalization of certain costs incurred after the date of adoption in connection with developing or obtaining software for internal use. The Company currently expenses certain of these internal costs when incurred. The Company has not yet assessed what the impact of the SOP will be on the Company's future earnings or financial position.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," (SOP 98-5) which is effective for the Company in fiscal year 2000, if not previously adopted. SOP 98-5 requires

start-up costs, as defined, to be expensed as incurred. Upon adoption of SOP 98-5, any previously capitalized start-up costs net of accumulated depreciation will be required to be written-off as a cumulative effect of a change in accounting principle. The Company has not yet determined what the impact of SOP 98-5 will be on its financial statements upon adoption of this SOP.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) which the Company is required to adopt in years beginning after June 15, 1999. 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 SFAS 133 will be on the earnings and financial position of the Company.

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

2 Acquisitions

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

The acquisition of the Norlina Division of Glen Raven Mills, Inc. was consummated on November 17, 1995. The acquisition, which was not deemed significant to the Company's consolidated net assets or the results of operations, has been accounted for as a purchase. The purchase price of \$48.4 million was allocated to the net assets acquired with the excess of cost over fair value of the net assets acquired approximating \$35.7 million after giving effect to all purchase adjustments.

3 Non-Recurring Charge

During the fiscal 1996 first quarter, the Company recognized a non-recurring charge to earnings of \$23.8 million (\$14.9 million after-tax or \$0.23 per diluted share) related to restructuring plans to further reduce the Company's cost structure and improve productivity through the consolidation of certain manufacturing operations and the disposition of underutilized assets. The restructuring plan focused on the consolidation of production facilities acquired via mergers during the preceding four years. As part of the restructuring action, the Company closed its spun cotton manufacturing facilities in Edenton and Mount Pleasant, North Carolina, with the majority of the manufacturing production being transferred to other facilities. The significant components of the non-recurring charge included \$2.4 million of severance and other employee-related costs from the termination of employees and a \$21.4 million write-down to estimated fair value less the cost of disposal of underutilized assets and consolidated facilities to be disposed. Costs associated with the relocation of equipment or personnel were expensed as incurred. The Company has completed substantially all of these restructuring efforts and anticipates no material differences in actual charges compared to its original estimates.

4 Cumulative Effect of Accounting Change and Extraordinary Charge

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

During the fiscal 1996 fourth quarter, the Company recognized an extraordinary after-tax charge of \$5.9 million or \$0.09 per diluted share as a result of the redemption of the \$230 million in 6% convertible subordinated notes due 2002. In accordance with the debt agreement, the note holders had an option to convert their notes at a conversion rate of 33.7 shares of common stock for each \$1,000 principal amount of notes. Notes aggregating \$51,000 were

converted into

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1,718 shares of common stock in accordance with this provision. The remaining notes, totaling \$229.9 million, were redeemed at 103.33% of principal amount, with accrued interest to the date of redemption.

5 Long-Term Debt and Other Liabilities

A summary of long-term debt follows:

(Amounts in thousands)	June 28, 1998	June 29, 1997
Bonds payable	\$ 248,038	\$ --
Revolving credit facility	180,000	230,000
Sale-leaseback obligation	3,444	26,988
Other bank debt and other obligations	48,719	--
Total debt	480,201	256,988
Current maturities	16,234	1,189
Total long-term debt and other liabilities	\$ 463,967	\$255,799

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

The Company entered a \$400 million revolving credit facility dated April 15, 1996, with a group of financial institutions that extends through April 15, 2001. The rate of interest charged is adjusted quarterly based on a pricing grid which is a function of the ratio of the Company's debt to earnings before income taxes, depreciation, amortization and other non-cash charges. The credit facility provides the Company the option of borrowing at a spread over the base rate (as defined) for base rate loans or the Adjusted London Interbank Offered Rate (LIBOR) for Eurodollar loans. In accordance with the pricing grid, the Company pays a quarterly facility fee ranging from 0.090% - 0.150% of the total amount available under the revolving credit facility. The weighted average interest rates for fiscal years 1998 and 1997, were 5.89% and 5.75%, respectively. At June 28, 1998, and June 29, 1997, the interest rates on the outstanding balances were 5.92% and 5.87%, respectively. As a result of the variable nature of the credit facility's interest rate, the fair value of the Company's revolving credit debt approximates its carrying value.

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

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

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

On June 30, 1997, the Company entered into a Contribution Agreement associated with the formation of Parkdale America, LLC. As a part of the Contribution Agreement, ownership of a significant portion of the assets financed under the sales-leaseback agreement and the related debt (\$23.5 million) were assumed by the LLC. Payments for the remaining balance of the sales-leaseback agreement are due semi-annually and are in varying amounts, in accordance with the agreement. Principal payments required over the next five years are approximately \$100 thousand per year. The interest rate implicit in the agreement is 7.84%, and the fair value of the long-term obligation at June 28, 1998, approximates its carrying value.

Other bank debt and other obligations consist of non-domestic borrowings of approximately \$1.8 million, acquisition related liabilities due within the next five years of \$41.9 million and a liability for a deferred compensation

plan of approximately \$5.0 million. Maturities of the acquisition obligations for the next five years are \$16.1 million, \$16.0 million, \$4.0 million, \$3.0 million, and \$2.8 million, respectively.

Interest capitalized during fiscal 1998 and 1997 was \$6.8 million and \$0.9 million, respectively.

The provision for income taxes before the extra-ordinary item in fiscal 1996 and cumulative effect of accounting change in fiscal 1998 consisted of the following:

(Amounts in thousands)	June 28, 1998	June 29, 1997	June 30, 1996
Currently payable:			
Federal	\$43,245	\$34,235	\$42,289
State	5,704	6,074	6,953
Foreign	1,474	1,151	492

Total current	50,423	41,460	49,734

Deferred:			
Federal	23,799	18,929	(4,080)
State	(11,715)	(1,994)	(604)
Foreign	275	222	(111)

Total deferred	12,359	17,157	(4,795)

Income taxes before extraordinary item and cumulative effect of accounting change	\$62,782	\$58,617	\$44,939

Income taxes were 32.8%, 33.6% and 36.4% of pretax earnings in fiscal 1998, 1997 and 1996, respectively. A reconciliation of the provision for income taxes (before extraordinary item and cumulative effect of accounting change, where applicable) with the amounts obtained by applying the federal statutory tax rate is as follows:

	June 28, 1998	June 29, 1997	June 30, 1996

Federal statutory tax rate	35.0%	35.0%	35.0%
State income taxes net of federal tax benefit	2.9	3.2	3.3
State tax credits net of federal tax benefit	(4.9)	(1.7)	--
Foreign taxes less than domestic rate	(1.9)	(1.8)	(0.8)
Foreign Sales Corporation tax benefit	(0.4)	(0.5)	(0.9)
Research and experimentation credit	--	--	(0.6)
Nondeductible expenses and other	2.1	(0.6)	0.4

Effective tax rate	32.8%	33.6%	36.4%

The deferred income taxes reflect the net tax effects of temporary differences between the bases of assets and liabilities for financial reporting purposes and their bases for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of June 28, 1998, and June 29, 1997, were as follows:

(Amounts in thousands)	June 28, 1998	June 29, 1997

Deferred tax liabilities:		
Property, plant and equipment	\$75,184	\$62,899
Investments in equity affiliates	7,257	--

Total deferred tax liabilities	82,441	62,899

Deferred tax assets:		
Accrued liabilities and valuation reserves	2,684	4,421
State tax credits	12,379	2,963
Other items	4,408	4,695

Total deferred tax assets	19,471	12,079

Net deferred tax liabilities	\$62,970	\$50,820

7 Common Stock and Stock Option Plans

Shares authorized were 500 million in 1998 and 1997. Common shares outstanding at June 28, 1998, and June 29, 1997, were 61,634,386 and 61,209,588, respectively.

The Company has Incentive Stock Option Plans with 1,942,133 shares reserved at June 28, 1998. There remain 1,000,000 options available for grant at year end. The Company also has a Non-Qualified Stock Option Plan with 1,645,667 shares reserved at June 28, 1998. There remain 534,500 options available for grant at year end. The transactions for 1998, 1997 and 1996 were as follows:

	ISO		NQSO	
	Options outstanding	Weighted avg. \$/share	Options outstanding	Weighted avg. \$/share
Fiscal 1996:				
Shares under option -- beginning of year	1,739,968	\$ 18.13	738,519	\$ 25.49
Granted	165,500	24.67	--	--
Exercised	(55,500)	13.66	--	--
Canceled	(56,590)	21.66	(45,000)	25.83
Shares under option -- end of year	1,793,378	\$ 18.76	693,519	\$ 25.47
Fiscal 1997:				
Granted	--	\$ --	465,500	\$ 28.64
Exercised	(346,787)	9.79	--	--
Canceled	--	--	--	--
Shares under option -- end of year	1,446,591	\$ 20.91	1,159,019	\$ 26.75
Fiscal 1998:				
Granted	--	\$ --	--	\$ --
Exercised	(504,458)	14.31	(47,852)	25.76
Canceled	--	--	--	--
Shares under option -- end of year	942,133	\$ 24.45	1,111,167	\$ 26.79

	Fiscal 1998	Fiscal 1997	Fiscal 1996
ISO:			
Exercisable shares under option -- end of year	942,133	1,446,591	1,687,018
Option price range	\$ 10.19-\$25.38	\$ 4.80-\$25.38	\$ 3.80-\$25.38
Weighted average exercise price for options exercisable	\$ 24.45	\$ 20.91	\$ 18.51
Weighted average remaining life of shares under option	6.2	6.0	6.3
Fair value of options granted	\$ --	\$ --	\$ 11.43
NQSO:			
Exercisable shares under option -- end of year	1,021,001	888,519	693,519
Option price range	\$ 25.38-\$31.00	\$ 23.88-\$31.00	\$ 23.88-\$25.83
Weighted average exercise price for options exercisable	\$ 26.42	\$ 25.45	\$ 25.47
Weighted average remaining life of shares under option	6.8	7.8	7.8
Fair value of options granted	\$ --	\$ 13.32	\$ --

All options granted vest on the date of issuance except 270,500 of the non-qualified options awarded in fiscal 1997 which have a two-year vesting schedule. The first one-third were exercisable as of October 17, 1997, the second one-third were exercisable on April 17, 1998, and the remaining one-third are exercisable on April 17, 1999.

8 Retirement Plans

The Company has a qualified profit-sharing plan, which provides benefits for eligible salaried and hourly employees. The annual contribution to the plan, which is at the discretion of the Board of Directors, amounted to \$13.0 million in 1998 and \$17.0 million in each of 1997 and 1996. The Company leases its corporate office building from its profit-sharing plan through an independent trustee.

9 Leases and Commitments

In addition to the direct financing sales-leaseback obligation described in note 5 above, the Company is obligated under operating leases consisting primarily of real estate and equipment. Future obligations for minimum rentals under the leases during fiscal years after June 28, 1998, are \$5.8 million in 1999, \$5.0 million in 2000, \$4.8 million in 2001, \$1.9 million in 2002 and \$1.2 million in 2003. Rental expense was \$6.8 million, \$5.0 million and \$4.4 million for the fiscal years 1998, 1997 and 1996, respectively. The Company had committed approximately \$127.2 million for the purchase of equipment and facilities at June 28, 1998.

The Company and its subsidiaries are engaged predominantly in the processing of yarns by texturing of synthetic filament polyester and nylon fiber with sales domestically and internationally, mostly to knitters and weavers for the apparel, industrial, hosiery, home furnishing, automotive upholstery and other end-use markets. In fiscal years 1997 and 1996, the Company was also directly involved with the spinning of cotton and cotton blend fibers. These operations were contributed to a limited liability company on June 30, 1997, of which the Company has a 34% ownership interest (see note 12).

The Company's domestic operations serve customers principally located the southeastern United States as well as international customers located primarily in Canada, eastern Europe, and South America. During fiscal 1998 and 1997 the Company did not have sales to any one customer in excess of 10% of consolidated revenues; however, the Company had sales to one customer of approximately 12% in 1996. Export sales, excluding those to the Company's international operations in Ireland, aggregated \$185.5 million in 1998, \$203.8 million in 1997 and \$173.1 million in 1996. The concentration of credit risk for the Company with respect to trade receivables is mitigated due to the large number of customers, dispersion across different industries and geographic regions and its factoring arrangements.

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

(Amounts in thousands)	June 28, 1998	June 29, 1997	June 30, 1996
Foreign operations:			
Net sales	\$ 136,573	\$ 140,102	\$ 129,246
Pre-tax income	15,107	12,683	4,015
Total assets	127,586	112,203	117,578
Domestic operations:			
Net sales	\$1,241,036	\$1,564,824	\$1,474,034
Pre-tax income	176,576	161,599	119,301
Total assets	1,211,218	906,500	833,506

11 Derivative Financial Instruments and Fair Value of Financial Instruments

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

Currency forward contracts are entered to hedge exposure for sales in foreign currencies based on specific sales orders with customers or for anticipated sales activity for a future time period. Generally, 60-80% of the sales value of these orders are covered by forward contracts. Maturity dates of the forward contracts attempt to match anticipated receivable collections. The Company marks the outstanding accounts receivable and forward contracts to market at month end and any realized and unrealized gains or losses are recorded as other income and expense. The Company also enters currency forward contracts for committed equipment and inventory purchases. Generally 50-75% of the asset cost is covered by forward contracts. Forward contracts are matched with the anticipated date of delivery of the assets and gains and losses are recorded as a component of the asset cost. The outstanding hedge agreements as of June 28, 1998, mature through April 1999.

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

(Amounts in thousands)	June 28, 1998
Foreign currency purchase contracts:	
Notational amount	\$29,184
Fair value	31,418
Net unrecognized (gain) loss	\$(2,234)
Foreign currency sales contracts:	
Notational amount	\$28,446
Fair value	28,646
Net unrecognized (gain) loss	\$ 200

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

Cash and cash equivalents, trade receivables and trade payables -- The carrying amounts approximate fair value because of the short maturity of these instruments.

Long-term debt -- The fair value of the Company's borrowings is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities (see note 5).

Foreign currency contracts -- The fair value is based on quotes obtained from brokers or reference to publicly available market information.

12 Investment in Unconsolidated Affiliates

Investments in affiliates consist of a 34% interest in Parkdale America, LLC (the LLC) and a 48.4% interest in Micell Technologies, Inc. (Micell(R)).

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 \$67.9 million and is being amortized on a straight-line basis over 30 years as a component of the equity in earnings of unconsolidated affiliates. The pro forma consolidated statement of income of the Company for fiscal 1997, assuming that the spun cotton yarn assets were contributed to the LLC as of first day of fiscal 1997, results in net sales, pre-tax income, net income and net income per diluted share of \$1.4 billion, \$186.3 million, \$123.1 million and \$1.93, respectively.

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

(Amounts in thousands)	June 28, 1998
Current assets	\$ 260,358
Noncurrent assets	264,194
Current liabilities	134,110
Shareholders' equity and capital accounts	390,442
Net sales	\$ 652,097
Gross profit	108,649
Income from operations	80,546
Net income	75,788

The LLC is organized as a partnership for tax purposes. Taxable income is passed through the LLC to the shareholders in accordance with the Operating Agreement of the LLC. For the fiscal year ended June 28, 1998, distributions received by the Company from the LLC aggregated \$7.7 million.

13 Supplemental Cash Flow Information

Supplemental cash flow information is summarized below:

(Amounts in thousands)	June 28, 1998	June 29, 1997	June 30, 1996
Cash payments for:			
Interest, net of amounts capitalized	\$16,521	\$12,064	\$18,520
Income taxes, net of refunds	47,488	45,726	38,427
Stock issued for SI Holding Company acquisition	\$21,000	\$ --	\$ --
Redemption of 6% convertible subordinated notes	--	--	1,983

14 Polyester Business Venture

On April 23, 1998, the Company announced that it agreed to form a limited liability company with Burlington Industries, Inc. (Burlington) of Greensboro, North Carolina, to manufacture and market natural textured polyester yarns. The limited liability company commenced operations on May 29, 1998. The Company has the majority ownership (approximately 85%) and is managing the business, while Burlington owns a minority interest.

Summary of selected financial data

(Amounts in thousands, except per share data)	June 28, 1998 (52 Weeks)	June 29, 1997 (52 Weeks)	June 30, 1996 (53 Weeks)	June 25, 1995 (52 Weeks)	June 26, 1994 (52 Weeks)
Summary of Earnings:					
Net sales	\$1,377,609	\$1,704,926	\$1,603,280	\$1,554,557	\$1,384,797
Cost of sales	1,149,838	1,473,667	1,407,608	1,330,410	1,185,386
Gross profit	227,771	231,259	195,672	224,147	199,411
Selling, general and administrative expense	43,277	46,229	45,084	43,116	40,429
Interest expense	16,598	11,749	14,593	15,452	18,241
Interest income	(1,869)	(2,219)	(6,757)	(10,372)	(8,290)
Other (income) expense	389	819	(4,390)	(9,659)	(1,238)
Equity in (earnings) losses of unconsolidated affiliates	(22,307)	399	--	--	--
Non-recurring charge	--	--	23,826	--	13,433
Income from continuing operations before income taxes and other items listed below	191,683	174,282	123,316	185,610	136,836
Provision for income taxes	62,782	58,617	44,939	69,439	60,344
Income before extraordinary item and cumulative effect of accounting change	128,901	115,665	78,377	116,171	76,492
Extraordinary item, net of tax	--	--	5,898	--	--
Cumulative effect of accounting change, net of tax	4,636	--	--	--	--
Net income	124,265	115,665	72,479	116,171	76,492
Per Share of Common Stock:					
Income before extraordinary item and cumulative effect of accounting change (diluted)	\$ 2.08	\$ 1.81	\$ 1.18	\$ 1.62	\$ 1.07
Extraordinary item (diluted)	--	--	.09	--	--
Cumulative effect of accounting change (diluted)	.07	--	--	--	--
Net income (diluted)	2.01	1.81	1.09	1.62	1.07
Cash dividends	.56	.44	.52	.40	.56
Financial Data:					
Working capital	\$ 209,878	\$ 216,145	\$ 196,222	\$ 333,357	\$ 304,274
Gross property, plant and equipment	1,145,622	1,147,148	1,027,128	910,383	848,637
Total assets	1,338,804	1,018,703	951,084	1,040,902	1,003,252
Long-term debt and other obligations	463,967	255,799	170,000	230,000	230,000
Shareholders' equity	636,197	548,531	583,206	603,502	588,522

Fiscal year 1994 through 1997 amounts include the spun cotton yarn operations that were contributed to Parkdale America, LLC on June 30, 1997.

quarterly Results (Unaudited)

Quarterly financial data for the years ended June 28, 1998, and June 27, 1997, is presented below:

(Amounts in thousands, except per share data)	First Quarter (13 Weeks)	Second Quarter (13 Weeks)	Third Quarter (13 Weeks)	Fourth Quarter (13 Weeks)
1997:				
Net sales	\$ 414,715	\$ 419,345	\$ 438,252	\$ 432,614
Gross profit	49,945	58,858	61,808	60,648
Net income	23,955	28,790	31,467	31,453
Earnings per share (basic)	.37	.45	.50	.51
Earnings per share (diluted)	.37	.44	.50	.51
1998:				
Net sales	\$ 329,842	\$ 343,096	\$ 345,986	\$ 358,685
Gross profit	49,518	59,005	58,134	61,114
Income before cumulative effect of accounting change	27,525	33,019	33,286	35,071
Cumulative effect of accounting change	--	4,636	--	--
Net income	27,525	28,383	33,286	35,071
Income before cumulative effect of accounting change (basic)	.45	.54	.54	.57
Income before cumulative effect of accounting change (diluted)	.45	.54	.54	.57
Earnings per share (basic)	.45	.46	.54	.57
Earnings per share (diluted)	.45	.46	.54	.57

market and dividend Information (Unaudited)

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

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

As of August 14, 1998, there were approximately 929 holders of record of the Company's common stock.

	High	Low	Dividends
Fiscal year 1996:			
First quarter ended September 24, 1995	\$ 26.63	\$ 23.50	\$.13
Second quarter ended December 24, 1995	\$ 25.00	\$ 21.88	\$.13
Third quarter ended March 24, 1996	\$ 25.75	\$ 21.25	\$.13
Fourth quarter ended June 30, 1996	\$ 28.50	\$ 23.00	\$.13
Fiscal year 1997:			
First quarter ended September 29, 1996	\$ 28.88	\$ 26.00	\$.11
Second quarter ended December 29, 1996	\$ 33.13	\$ 26.63	\$.11
Third quarter ended March 30, 1997	\$ 33.88	\$ 30.13	\$.11
Fourth quarter ended June 29, 1997	\$ 36.88	\$ 29.63	\$.11
Fiscal year 1998:			
First quarter ended September 28, 1997	\$ 43.63	\$ 35.06	\$.14
Second quarter ended December 28, 1997	\$ 42.25	\$ 36.38	\$.14
Third quarter ended March 29, 1998	\$ 42.13	\$ 33.00	\$.14
Fourth quarter ended June 28, 1998	\$ 39.56	\$ 34.19	\$.14

MANAGEMENT'S REVIEW

and Analysis of Operations and Financial Position

FISCAL 1998

Following is a Summary of operating income for fiscal years 1998 and 1997 and related percentages of net sales for each period:

(Dollar amounts in thousands)	June 28, 1998		June 29, 1997	
Net sales	\$ 1,377,609	100.0%	\$1,704,926	100.0%
Cost of sales	1,149,838	83.5	1,473,667	86.4
Gross margin	227,771	16.5	231,259	13.6
Selling, general and administrative	43,277	3.1	46,229	2.7
Operating income	\$ 184,494	13.4%	\$ 185,030	10.9%

Consolidated net sales decreased \$327.3 million from fiscal year 1997 to 1998, or 19.2%, before giving effect to the contribution of our spun cotton yarn operations to Parkdale America, LLC on June 30, 1997. Net sales for our spun cotton yarn operations were \$304.4 million in fiscal year 1997. After giving effect to the removal of the net sales for the 1997 fiscal year attributable to the spun cotton operations, consolidated net sales decreased \$22.9 million, or 1.6%. The comparison of sales was positively impacted by the acquisition on November 14, 1997, of SI Holding Company (Spanco) and the formation of a limited liability company with Burlington Industries, Inc. on May 29, 1998. The benefit of these ventures on sales was offset by various factors including: the strengthening of the U.S. dollar in 1998 that adversely impacted export sales and the translation of our Irish operation sales from the functional Irish punt currency to the U.S. dollar, the decline in unit prices and the increase of imported fiber, fabric and apparel.

Domestically, unit prices, based on product mix, declined 1.4% while unit volumes remained relatively stable after giving effect to the removal of our spun cotton yarn operations in the prior fiscal year. Unit volumes increased in the fourth quarter due, in part, to the sales generated by the business venture with Burlington Industries.

Internationally, unit prices declined 7.4% while unit volumes increased 6.2%. Sales from foreign operations are denominated in local currencies and are hedged in part by the purchase of raw materials and services in those same currencies. As described in note 11 to the consolidated financial statements, currency exchange rate risk is mitigated by the utilization of foreign currency forward contracts. Additionally, the net asset exposure is hedged by borrowings in local currencies which minimizes the risk of currency fluctuations. The Company does not enter into derivative financial instruments for trading purposes.

Gross Margins improved from 15.5% in the prior year to 16.5% in the current year after eliminating the net operating results of our spun cotton yarn operations described above. The increase in gross margin primarily reflects raw material cost reductions based on product mix, which were partially offset by higher manufacturing costs as a percentage of net sales.

Selling, general and administrative expense decreased \$3.0 million from 1997 to 1998; however, as a percentage of net sales these costs increased from 2.7% in the prior fiscal year to 3.1% in the current year. The increase reflects the lower sales base in the current year associated with the contribution of our spun cotton yarn operations at the beginning of the fiscal year.

Interest expense increased \$4.8 million, or 41.3%, from \$11.7 million in 1997 to \$16.6 million in 1998. The increase is associated with both higher levels of debt outstanding during the current year and higher average interest rates during this period. In February 1998, the Company issued \$250.0 million of debt securities, the proceeds of which were used to repay a portion of the revolving credit facility. The coupon rate of the new securities is 6.50%. Debt levels increased during the year as a result of capital expenditures, investments in equity affiliates, stock repurchases and an acquisition.

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

Earnings from our equity affiliates, net of related amortization, totaled \$22.7 million in the current year. The effective tax rate decreased from 33.6% in 1997 to 32.8% in 1998. The improvement in the effective tax rate is primarily due to the realization of state tax credits in the current year associated with significant capital expenditures and improved operating results of our Irish operations that are taxed at a 10.0% effective rate.

In the second quarter of fiscal 1998, the Company recognized a write-off of \$7.5 million (\$4.5 million after tax) or \$.07 per diluted share as a result of changing its accounting policy regarding business reengineering costs. Previously, substantially all direct external costs associated with installing a new computer software system were capitalized, including those costs related to business process reengineering. Pursuant to Emerging Issues Task Force 97-13 issued in November 1997, these costs were written off as a cumulative catch-up adjustment.

As a result of the above, the Company realized during the current year net income of \$124.3 million, or \$2.01 per diluted share, compared to \$115.7 million

or \$1.81 per diluted share for the prior fiscal year period. Before the effect of the accounting change in the current year, earnings would have been \$128.9 million or \$2.08 per diluted share.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," (SFAS 130) which the Company is required to adopt in the first quarter of fiscal 1999. 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 foreign currency translation adjustments, unrealized gains and losses on available-for-sale securities and certain minimum pension liabilities. Foreign currency translation adjustments presently represent the primary component of comprehensive income for the Company. The Company expects to reflect comprehensive income in its consolidated statement of changes in shareholders' equity when this standard is adopted. Results of operations and financial position, however, will be unaffected by the implementation of this standard.

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 the Company is required to adopt 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 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 consolidated results of operations or financial position.

In March 1998, the AICPA issued SOP 98-1, "Accounting for the Cost of Computer Software Developed for or Obtained for Internal Use," (SOP 98-1). This SOP is effective for the Company in the first quarter of fiscal year 2000, if not previously adopted. SOP 98-1 will require the capitalization of certain costs incurred after the date of adoption in connection with developing or obtaining software for internal use. The Company currently expenses certain of these internal costs when incurred. The Company has not yet assessed what the impact of the SOP will be on the Company's future earnings or financial position.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," (SOP 98-5) which is effective for the Company in fiscal year 2000, if not previously adopted. SOP 98-5 requires start-up costs, as defined, to be expensed as incurred. Upon adoption of SOP 98-5, any previously capitalized start-up costs net of accumulated depreciation will be required to be written-off as a cumulative effect of a change in accounting principle. The Company has not yet determined what the impact of SOP 98-5 will be on its financial statements upon adoption of this SOP.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS 133) which the Company is required to adopt in years beginning after June 15, 1999. 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.

FISCAL 1997

Consolidated net sales increased 6.3% from \$1.603 billion in 1996 to \$1.705 billion in 1997. The current fiscal year included fifty-two weeks compared to the previous year's fifty-three weeks. Growth in net sales was achieved by a 7.2% increase in unit volume offset slightly by a modest decline in per unit average sales prices.

Domestically, unit volumes increased 6.3% while average per unit sales prices remained stable. Increased unit volumes were experienced across all of our sales-yarn operations. Fiscal 1997 unit sales growth benefited from phased-in production of our new polyester texturing facility in Yadkinville, North Carolina, which was substantially completed at year end, and from realizing a full year's sales activity after purchasing the texturing operations of Glen Raven Mills, Inc.'s Norlina Division in November 1995. In addition, growth in export sales was experienced year-over-year contributing to the increase in unit volume.

Internationally, increased unit growth was offset by lower per unit average sales prices resulting in a net 8.3% increase in sales. Sales from foreign operations are denominated in local currencies and are hedged in part by the purchases of raw materials and services in

those same currencies. As described in note 11 to the consolidated financial statements, currency exchange rate risk is mitigated by the utilization of foreign currency forward contracts. Additionally, the net asset exposure is hedged by borrowings in local currencies which minimize the risk of currency fluctuations.

Gross margin increased from 12.2% last year to 13.6% this year. The increased gross margin of 1.4% reflects lower operating costs due to improved efficiency and volume increases and raw material cost reductions based on product mix, as a percentage of net sales.

Selling, general and administrative expense as a percentage of net sales decreased from 2.8% last year to 2.7% this year. On a dollar-basis, selling, general and administrative expense increased \$1.1 million to \$46.2 million, or 2.5%. Increased selling, general and administrative expenses are primarily attributable to higher information systems' costs and professional fees associated with various technology and corporate reengineering improvement efforts.

Interest expense declined \$2.8 million or 19.5%, from \$14.6 million in 1996 to \$11.7 million in 1997. In the fourth quarter of the prior year, \$230 million of 6% convertible subordinated notes were redeemed utilizing the proceeds from a \$400 million, five year, revolving credit facility. The effective interest rate of the revolving credit facility has remained below the convertible debt interest rate and the average debt level outstanding throughout fiscal 1997 has also been lower than the prior year resulting in reduced interest expense. Interest income declined \$4.5 million from \$6.8 million in 1996 to \$2.2 million in 1997. This change reflects lower levels of invested funds which were primarily used for capital expenditures and the purchase and retirement of Company common stock.

Net other income and expense changed unfavorably by \$5.6 million from \$4.4 million of income in 1996 to \$1.2 million of expense in 1997. In the prior year, gains were recorded from the sale of capital assets and investments in excess of current year amounts.

In the first quarter of fiscal 1996, the Company announced restructuring plans to further reduce the Company's cost structure and improve productivity through the consolidation of certain manufacturing operations and the disposition of underutilized assets. The estimated cost of restructuring resulted in a non-recurring charge to earnings of \$23.8 million or an after-tax charge to earnings of \$14.9 million (\$.23 per share). The Company has completed the majority of these restructuring efforts and anticipates no material differences in actual charges compared to its original estimates.

The effective tax rate decreased from 36.4% in 1996 to 33.6% in 1997. The improvement in the effective tax rate is primarily due to the realization of state tax credits during the current year and the improved operating results of foreign subsidiaries which are taxed at rates below those of U.S. operations.

As a result of the above, the Company realized during the current year net income of \$115.7 million, or \$1.81 per share, compared to \$72.5 million, or \$1.18 per share, for the corresponding prior fiscal year. Before the effects of the non-recurring and the extraordinary charges recognized in the prior year, earnings would have been \$93.3 million or \$1.41 per share.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations continues to be a primary source of funds to finance operating needs and capital expenditures. Cash generated from operations was \$181.7 million for fiscal 1998 compared to \$183.8 million for fiscal 1997. The primary sources of cash from operations, other than net income, were decreases in accounts receivable and other current assets of \$9.6 million and \$1.6 million, respectively and non-cash adjustments aggregating \$70.9 million. Depreciation and amortization of \$69.7 million, the after-tax cumulative effect of accounting change of \$4.7 million and the deferred income tax provision of \$12.2 million, offset by undistributed net earnings of unconsolidated affiliates of \$15.3 million, were the primary components of the non-cash adjustments to cash provided by operations. Offsetting these sources were an increase in inventory of \$0.8 million and a net decrease in income taxes, accounts payable and accruals of \$23.9 million. All working capital changes have been adjusted to exclude the effect of the current year acquisition and currency translation. The significant decreases in accounts receivable and accounts payable and accruals were impacted by the contribution of the spun cotton yarn operations at the beginning of the fiscal year.

Working capital levels are more than adequate to meet the operating requirements of the Company. The Company ended the current year with working capital of \$209.9 million, which included cash and cash equivalents of \$8.4 million.

The Company utilized \$315.7 million for net investing activities and obtained \$133.7 million from net financing activities during fiscal 1998. Significant expenditures during this period included \$250.1 million for capacity expansions and upgrading of facilities, \$25.8 million for acquisitions, \$39.5 million for investments in equity affiliates, \$34.3 million for the payment of the Company's cash dividends and \$20.2 million for the purchase and retirement of Company common stock. The Company obtained proceeds from net borrowings under its long-term debt agreements of \$187.4 million, which partially offset these cash expenditures.

As discussed in note 12 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. The LLC distributed dividends of \$7.7 million to the Company in fiscal 1998. It is expected that such distributions will continue. Additionally, the Company is not obligated to provide the LLC with any further cash contributions beyond those described herein.

On November 14, 1997, the Company completed its Agreement and Plan of Triangular Merger with SI Holding Company and thereby acquired their covered yarn business for approximately \$46.6 million. Additionally, covenants-not-to-compete were entered into with the principal operating officers of the acquired company in exchange for \$9.2 million, to 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.

On April 23, 1998, the Company announced that it agreed to form a limited liability company with Burlington Industries, Inc. (Burlington) of Greensboro, North Carolina, to manufacture and market natural textured polyester yarns. The Company has the majority ownership (approximately 85.0%) and will manage the business, while Burlington will own a minority interest (approximately 15.0%). The Company's natural textured polyester yarn facilities located in Yadkinville, North Carolina, became part of the limited liability company, along with Burlington's natural textured yarn manufacturing business located in Mayodan, North Carolina. The Company's polyester texturing facility in Reidsville, North Carolina, was not contributed. This facility will continue to be dedicated to providing textured polyester products for yarn dyeing. The limited liability company commenced operations on May 29, 1998. Under terms of the agreement, the Company is not required to contribute any operating funds to the newly created entity at inception nor will any existing Company debt be assumed by the new entity. Additionally, there are no future contributions required to be made to the new entity. However, the Company may, from time to time, loan funds to this entity under prevailing market conditions as deemed necessary or appropriate under the circumstances.

At June 28, 1998, the Company has committed approximately \$127.2 million for the purchase and upgrade of equipment and facilities, which is scheduled to be expended during fiscal year 1999. A significant component of these committed funds is the construction of a new nylon texturing and covering facility in Madison, North Carolina. This plant will consolidate the existing capacity at several locations, replacing older equipment with state-of-the-art technology, and will provide for additional capacity and expansion capabilities. Certain construction and machinery components of this project are still under negotiation.

Effective July 16, 1998, the Board of Directors terminated the previously-established policy of paying cash dividends equal to approximately 30% of the Company's after tax earnings for the previous year. In lieu of this cash dividend, the Board of Directors has authorized management to utilize cash equal to the same 30% of the previous year's earnings to repurchase shares of the Company's stock as management deems advisable. The Board of Directors also increased the remaining authorization pursuant to a resolution originally established on October 21, 1993, to purchase 10 million shares of Unifi's common stock. 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.

On February 5, 1998, the Company sold \$250 million of senior, unsecured debt securities to qualified institutional buyers. The net proceeds from the sale of the Notes 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.

YEAR 2000 COMPLIANCE STATUS

The Company continues to actively address the business issues associated with the year 2000 that impact information technology systems and non-information technology systems (i.e., embedded technology) both internally and in relation to our external customers, suppliers and other business associates. Factors involved in addressing such business issues include the evaluation, testing and implementation of the Company's enterprise-wide systems; evaluation, upgrading and certifying of non-information technology systems; assessing and testing significant customers' and vendors' compliance strategies and monitoring the status thereof (including electronic commerce with these companies); and, evaluating and monitoring the compliance plans of businesses in which the Company maintains investments in their operations.

The Company has created a team of professionals with the responsibility of addressing business issues associated with the year 2000. The Company does not believe any material exposures or contingencies exist with respect to its internal information systems as the installation of the remaining enterprise-wide software is anticipated to be completed in the necessary time

frame. At present the Company estimates it is approximately one-half to two-thirds complete with its enterprise-wide software implementation efforts. Additionally, as a precautionary measure, back-up plans are in process of being formulated in the event certain enterprise-wide applications are not fully implemented by the end of the 1999 fiscal year. The Company has requested information on the year 2000 compliance plans and status from its significant vendors and equity affiliates and is presently not aware of any material exposures or contingencies.

The Company is requesting assurances from its major suppliers that they are addressing the year 2000 issue to avoid disruption of products and services. Certain suppliers, although not indicating any problems or concerns at the present time, are unwilling to provide any guarantees or assurances. Consequently, the Company cannot predict the likelihood or impact on its business resulting from noncompliance by such parties.

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

EURO CONVERSION

As discussed above and in notes 10 and 11 to the consolidated financial statements, the Company conducts business in multiple currencies, including the currencies of various European countries in the European Union which will be 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 or the Euro when conducting business (the rules relating to the conversion to the Euro are outlined in the European Commission Directorate General XV Exposure Draft "Preparing Information Systems for the Euro" issued in Brussels September 25, 1997). 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 is currently evaluating the Euro conversion and the impact on its business, both strategically and operationally. At this time, management has not completed its assessment of the impact of the conversion; however, the conversion to the Euro is not 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 Annual 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), 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.

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report of Independent Auditors

The Board of Directors and Shareholders of Unifi, Inc.

We have audited the accompanying consolidated balance sheets of Unifi, Inc. as of June 28, 1998, and June 29, 1997, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended June 28, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unifi, Inc. at June 28, 1998, and June 29, 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 28, 1998, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Ernst & Young LLP

Greensboro, North Carolina
July 14, 1998

(Exhibit 21)

UNIFI, INC.

SUBSIDIARIES

Name	Address	Incorporation	Unifi Percentage of Voting Securities Owned
Unifi, FSC Ltd.	Agana, Guam	Guam	100%
Unifi Textured Yarns Europe, Ltd.	Letterkenny, Ireland	United Kingdom	100%
Unifi International Services, Inc.	Greensboro, NC	North Carolina	100%
Unifi Manufacturing, Inc. ("UMI")	Greensboro, NC	North Carolina	100%
Unifi Sales & Distribution, Inc.	Greensboro, NC	North Carolina	100%
Unifi Manufacturing Virginia, LLC	Greensboro, NC	North Carolina	95% (5% - UMI)
Unifi Export Sales, LLC	Greensboro, NC	North Carolina	95% (5% - UMI)
Unifi Equipment Leasing, LLC	Greensboro, NC	North Carolina	100%
Unifi Textured Polyester, LLC	Greensboro, NC	North Carolina	85.42% - UMI (14.58% - Burlington Industries, Inc.)
Spanco Industries, Inc. ("SI")	Greensboro, NC	North Carolina	100% - UMI

[SI owns: 100% Spanco International, Inc., ("SII"), a North
Carolina corporation]
[SII owns: 67% Spanco - Latin America, S.A., a Columbian sociedad
anonime; the remainder of Spanco Latin America is presently owned by:
1% Unifi designees
32% Spanco - Panama, S.A.]

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Consent of Independent Auditors

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Unifi, Inc. of our report dated July 14, 1998, included in the 1998 Annual Report to Shareholders of Unifi, Inc.

Our audit also included the financial statement schedule of Unifi, Inc. listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

In addition, we consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-23201) pertaining to the Unifi, Inc. 1982 Incentive Stock Option Plan and the 1987 Non-Qualified Stock Option Plan, and the Registration Statement (Form S-8 No. 33-53799) pertaining to the Unifi, Inc. 1992 Incentive Stock Option Plan and Unifi Spun Yarns, Inc. 1992 Employee Stock Option Plan, and Registration Statement (Form S-8 No. 333-35001) pertaining to the Unifi, Inc. 1996 Incentive Stock Option Plan and the Unifi, Inc. 1996 Non-Qualified Stock Option Plan of our report dated July 14, 1998, with respect to the consolidated financial statements and schedule of Unifi, Inc. incorporated herein by reference in this Annual Report (Form 10-K) for the year ended June 28, 1998.

Ernst & Young LLP

Greensboro, North Carolina
September 25, 1998

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S ANNUAL REPORT FOR THE TWELVE MONTH PERIOD ENDED JUNE 28, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<F1>OTHER STOCKHOLDERS EQUITY OF \$630,034 IS COMPRISED OF CAPITAL IN EXCESS OF PAR VALUE OF \$22,454, RETAINED EARNINGS OF \$618,128 AND CUMULATIVE TRANSLATION ADJUSTMENT OF \$(10,548).

<F2> PURSUANT TO FASB 128, "EARNINGS PER SHARE" WHICH THE COMPANY ADOPTED IN THE SECOND FISCAL 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 ARE EXCLUDED. BASIC EARNINGS PER SHARE FOR THE FISCAL YEAR IS 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.

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