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

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

For the quarterly period ended March 24, 2002

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

For the transition period from ____ to ____

Commission File Number 1-10542

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

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

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding at May 1, 2002
Common stock, par value $.10 per share	53,827,030 Shares

Part I. Financial Information

UNIFI, INC.
Condensed Consolidated Balance Sheets

	March 24, 2002	June 24, 2001
	(Unaudited)	(Note)
	(Amounts in Thousands)	
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 18,897	$ 6,634
Receivables	144,720	171,744
Inventories:		
Raw materials and supplies	51,991	47,374
Work in process	11,478	12,527
Finished goods	55,056	64,533
Other current assets	3,399	6,882
Total current assets	285,541	309,694
Property, plant and equipment	1,210,717	1,209,927
Less: accumulated depreciation	696,936	647,614
	513,781	562,313
Equity investments in unconsolidated affiliates	173,879	167,286
Goodwill	59,733	59,733
Other intangible assets, net	1,832	3,406
Other noncurrent assets	35,995	34,887
Total assets	$ 1,070,761	$ 1,137,319
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 89,682	$ 100,086
Accrued expenses	38,420	59,866
Income taxes payable	3,239	72
Current maturities of long-term debt and other current liabilities	9,117	85,962
Total current liabilities	140,458	245,986
Long-term debt and other liabilities	294,946	259,188
Deferred income taxes	85,267	80,307
Minority interests	12,064	11,295
Shareholders' equity:		
Common stock	5,383	5,382
Retained earnings	584,944	589,360
Unearned compensation	(828)	(1,203)
Accumulated other comprehensive loss	(51,473)	(52,996)
Total shareholders' equity	538,026	540,543
Total liabilities and shareholders' equity	$ 1,070,761	$ 1,137,319

Note: The balance sheet at June 24, 2001, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	For the Quarters Ended		For the Nine Months Ended	
	Mar. 24, 2002	Mar. 25, 2001	Mar. 24, 2002	Mar. 25, 2001
	(Amounts in Thousands Except Per Share Data)			
Net sales	$ 213,501	$ 255,223	$ 658,182	$ 873,529
Cost of goods sold	198,734	239,248	605,680	791,854
Selling, general & admin. expense	13,993	15,732	37,058	49,654
Interest expense	4,851	7,272	17,185	24,062
Interest income	(685)	(137)	(1,959)	(1,949)
Other (income) expense	(1,725)	3,136	(965)	10,506
Equity in (earnings) losses of unconsolidated affiliates	2,851	(2,008)	4,587	(200)
Minority interests	--	152	861	5,634
Asset impairments and write downs	--	20,915	--	20,915
Employee severance	--	5,494	--	5,494
Income (loss) before income taxes	(4,518)	(34,581)	(4,265)	(32,441)
Provision (benefit) for income taxes	(937)	(6,033)	165	(3,348)
Net loss	$ (3,581)	$ (28,548)	$ (4,430)	$ (29,093)
Loss per common share - basic	$ (0.07)	$ (0.53)	$ (0.08)	$ (.54)
Loss per common share - diluted	$ (0.07)	$ (0.53)	$ (0.08)	$ (.54)

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended	
	March 24, 2002	March 25, 2001
	(Amounts in Thousands)	
Cash and cash equivalents provided by operating activities	$ 66,343	$ 126,794
Investing activities:		
Capital expenditures	(6,196)	(36,447)
Acquisitions	--	(2,159)
Investments in unconsolidated equity affiliates	(11,190)	(14,406)
Return of capital from equity affiliates	--	25,743
Investment of foreign restricted cash	(2,710)	(6,616)
Sale of capital assets	6,459	833
Other	(1,039)	(854)
Net investing activities	(14,676)	(33,906)
Financing activities:		
Borrowing of long-term debt	429,781	295,348
Repayment of long-term debt	(466,282)	(360,564)
Issuance of Company common stock	--	--
Purchase and retirement of Company common stock	--	(16,527)
Distributions to minority interest shareholders	--	(9,000)
Other	(4,681)	(3,235)
Net financing activities	(41,182)	(93,978)
Currency translation adjustment	1,778	(1,615)
Net increase (decrease) in cash and cash equivalents	12,263	(2,705)
Cash and cash equivalents - beginning	6,634	18,778
Cash and cash equivalents - ending	$ 18,897	$ 16,073

See Accompanying Notes to Condensed Consolidated Financial Statements.

(a) Basis of Presentation

The information furnished is unaudited and reflects all adjustments which are, in the opinion of management, necessary to present fairly the financial position at March 24, 2002, and the results of operations and cash flows for the periods ended March 24, 2002, and March 25, 2001. Such adjustments consisted of normal recurring items. Interim results are not necessarily indicative of results for a full year. It is suggested that the condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K. The Company has reclassified the presentation of certain prior year information to conform with the current presentation format.

(b) Income Taxes

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

The Company's income tax provision (benefit) for both current and prior year periods is different from the U.S. statutory rate due to foreign operations being taxed at lower effective rates and substantially no income tax benefits have been recognized for the losses incurred by foreign subsidiaries as the recoverability of such tax benefits through loss carryforwards or carrybacks is not reasonably assured.

(c) Comprehensive Loss

Comprehensive loss amounted to $2.6 million for the third quarter of fiscal 2002 and $2.9 million for the year to date compared to $31.8 million and $40.5 million for the prior year quarter and year-to-date periods, respectively. Comprehensive loss was comprised of net loss and foreign currency translation adjustments for all periods. In addition, the prior year September and December quarters included a net unrealized loss on foreign currency derivative contracts totaling $1.0 million that was subsequently recognized in the prior year March quarter upon termination of hedge accounting for the related forward contracts. The Company does not provide income taxes on the impact of currency translations as earnings from foreign subsidiaries are deemed to be permanently invested.

(d) Loss per Share

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

	For the Quarters Ended		For the Nine Months Ended	
	March 24, 2002	March 25, 2001	March 24, 2002	March 25, 2001
Numerator:				
Net loss	$ (3,581)	$ (28,548)	$ (4,430)	$ (29,093)

	For the Quarters Ended		For the Nine Months Ended	
	March 24, 2002	March 25, 2001	March 24, 2002	March 25, 2001
Denominator:				
Denominator for basic earnings per share - Weighted average shares	53,735	53,666	53,728	53,925
Effect of dilutive securities:				
Stock options	--	--	--	--
Restricted stock awards	--	--	--	--
Dilutive potential common shares denominator for diluted earnings per share-Adjusted weighted average shares and assumed conversions	53,735	53,666	53,728	53,925

(e) Recent Accounting Pronouncements

In September 2000, the Emerging Issues Task Force (EITF) issued EITF Abstract 00-10 "Accounting for Shipping and Handling Fees and Costs." EITF 00-10 requires that any amounts billed to a customer for a sales transaction related to shipping or handling should be classified as revenues. The Company was required to adopt EITF 00-10 in the fourth quarter of fiscal year 2001. Before adoption of this Standard, the Company included revenues earned for shipping and handling in the net sales line item in the Condensed Consolidated Statements of Operations. Costs to provide this service were either historically included in net sales, for shipping costs, or in cost of sales, for handling expenses. Upon the adoption of EITF 00-10 the Company has reclassified the presentation of shipping costs from net sales to cost of sales and restated all prior periods. Adopting EITF 00-10 had no impact on the Company's net results of operations or financial position.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141). SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method is prohibited after this date. SFAS 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination completed after June 30, 2001. The Company adopted SFAS 141 on July 1, 2001.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). As allowed under the Standard, the Company has adopted SFAS 142 retroactively to June 25, 2001. SFAS 142 requires goodwill and intangible assets with indefinite useful lives to no longer be amortized, but instead be tested for impairment at least annually.

With the adoption of SFAS 142, the Company reassessed the useful lives and residual values of all acquired intangible assets to make any necessary amortization period adjustments.

Based on that assessment, no adjustments were made to the amortization period or residual values of other intangible assets.

In accordance with the transition provisions of SFAS 142, we have completed the first step of the transitional goodwill impairment test for all the reporting units of the Company. The results of that test have indicated that goodwill, with a net carrying value of $46.3 million, associated with our nylon business may be impaired and an impairment loss may have to be recognized. The amount of that loss has not been estimated, and the measurement of that loss is expected to be completed prior to the end of the fourth quarter of 2002. Any resulting impairment loss will be recognized as the cumulative effect of a change in accounting principle and reflected in the first quarter of 2002. See Note (k) for further disclosure in connection with SFAS 142.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" (SFAS 143). This standard applies to all entities and addresses legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operation of a long-lived asset. Statement of Financial Accounting Standards 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Additionally, any associated asset retirement costs are to be capitalized as part of the carrying amount of the long-lived asset and expensed over the life of the asset. SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company has not yet assessed the financial impact that adopting SFAS 143 will have on the consolidated financial statements.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). SFAS 144 supercedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" (SFAS 121). The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company has not yet assessed the financial impact that adopting SFAS 144 will have on the consolidated financial statements.

(f) Segment Disclosures

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," (SFAS 131) established standards for public companies for the reporting of financial information from operating segments in annual and interim financial statements as well as related disclosures about products and services, geographic areas and major customers. Operating segments are defined in SFAS 131 as components of an enterprise about which separate financial information is available to the chief operating decision-maker for purposes of assessing performance and allocating resources. Following is the Company's selected segment information for the quarter and year-to-date periods ended March 24, 2002, and March 25, 2001 (amounts in thousands):

	Polyester	Nylon	UTG	Total
Quarter ended March 24, 2002:				
Net sales to external customers	$ 157,315	$ 56,186	$ --	$ 213,501
Intersegment net sales	6	85	--	91
Segment operating income	2,516	473	--	2,989
Depreciation and amortization	12,621	4,702	--	17,323
Total assets	581,422	278,343	--	859,785
Quarter ended March 25, 2001:				
Net sales to external customers	$ 177,758	$ 70,547	$ 6,161	$ 254,466
Intersegment net sales	15	--	2,837	2,852
Segment operating income (loss)	(835)	(790)	2,205	580
Depreciation and amortization	14,178	5,327	249	19,754
Total assets	622,891	335,233	18,618	976,742

	For the Quarters Ended	
	March 24, 2002	March 25, 2001
Operating income (loss):		
Reportable segments operating income	$ 2,989	$ 580
Net standard cost adjustment to LIFO	(14)	811
Unallocated operating expense	(2,201)	(284)
Nonwoven start-up operating loss	--	(864)
Asset impairment and employee severance	--	(26,409)
Consolidated operating income (loss)	$ 774	$ (26,166)

	Polyester	Nylon	UTG	Total
Nine months ended March 24, 2002:				
Net sales to external customers	$ 472,640	$ 185,542	$ --	$ 658,182
Intersegment net sales	30	--	--	30
Segment operating income	10,925	4,948	--	15,873
Depreciation and amortization	37,879	14,017	--	51,896
Nine months ended March 25, 2001:				
Net sales to external customers	$ 604,857	$ 249,101	$ 18,814	$ 872,772
Intersegment net sales	60	--	8,564	8,624
Segment operating income (loss)	24,371	9,844	(1,725)	32,490
Depreciation and amortization	43,249	16,547	809	60,605

	For the Nine Months Ended	
	March 24, 2002	March 25, 2001
Operating income:		
Reportable segments operating income	$ 15,873	$ 32,490
Net standard cost adjustment to LIFO	1,823	2,028
Unallocated operating expense	(2,252)	(418)
Nonwoven start-up operating loss	--	(2,079)
Asset impairment and employee severance	--	(26,409)
Consolidated operating income	$ 15,444	$ 5,612

For purposes of internal management reporting, segment operating income (loss) represents net sales less cost of goods sold and allocated selling, general and administrative expenses. Certain indirect manufacturing and selling, general and administrative costs are allocated to the operating segments based on activity drivers relevant to the respective costs.

The primary differences between the segmented financial information of the operating segments, as reported to management, and the Company's consolidated reporting relates to intersegment transfers of yarn, fiber costing, the provision for bad debts, certain unallocated manufacturing and selling, general and administrative expenses and capitalization of property, plant and equipment costs.

Domestic operating divisions' fiber costs are valued on a standard cost basis, which approximates first-in, first-out accounting. For those components of inventory valued utilizing the last-in, first-out (LIFO) method, an adjustment is made at the corporate level to record the difference between standard cost and LIFO. Segment operating income excludes the provision for bad debts of $1.7 million and $1.8 million for the current and prior year quarters, respectively, and $3.5 million and $4.4 million for the current and prior year nine month periods, respectively. Segment operating income also excludes certain unallocated manufacturing and selling general and administrative expenses. For significant capital projects, capitalization is delayed for management segment reporting until the facility is substantially complete. However, for consolidated management financial reporting, assets are capitalized into construction in progress as costs are incurred or carried as unallocated corporate fixed assets if they have been placed in service but have not as yet been moved for management segment reporting.

"UTG" is the Company's previously majority-owned information services subsidiary, Unifi Technology Group, Inc. Since March 2001, UTG has been accounted for as an asset held for sale and, as a result, UTG did not have any sales and operating income for the quarter and nine months ended March 24, 2002. The remaining component of this entity was sold in January 2002.

The total assets for the polyester segment decreased from $608.6 million at June 24, 2001 to $581.4 million at March 24, 2002 due mainly to domestic assets decreasing by $40.9 million (accounts receivable, inventories and fixed assets decreased by $13.1 million, $2.3 million and $25.5 million, respectively). The total assets for the nylon segment decreased from $292.4 million at June 24, 2001 to $278.3 million at March 24, 2002 due mainly to domestic assets decreasing by $12.8 million (accounts receivable and fixed assets decreased by $1.9 million and $12.5 million, respectively, offset by an increase in inventories of $2.1 million). The fixed asset reductions for polyester and nylon are primarily associated with depreciation. The elimination of the total assets for the "All Other" segment at March 24, 2002 is attributable to the disposal, in January 2002, of the remaining operations of UTG.

(g) Derivative Financial Instruments

Effective June 26, 2000, the Company began accounting for derivative contracts and hedging activities under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) which requires all derivatives to be recorded on the balance sheet at fair value. There was no cumulative effect adjustment of adopting this accounting standard in fiscal 2001. 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 does not enter into derivative financial instruments for trading purposes.

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 purchase commitments) and the dates they are consummated (cash receipts and cash disbursements in foreign currencies). The Company utilizes some natural hedging to mitigate these transaction exposures. The Company also enters into foreign currency forward contracts for the purchase and sale of European, Canadian, Brazilian 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. Counterparties 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 or anticipated equipment and inventory purchases. Generally, 50-75% of the asset cost is covered by forward contracts although 100% of the asset cost may be covered by contracts in certain instances. 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 for purchase transactions the Company is firmly committed. For anticipated purchase transactions, gains or losses on hedge contracts are accumulated in Other Comprehensive Income (Loss) and periodically evaluated to assess hedge effectiveness. In the prior year quarter and nine-month period, the Company recorded approximately $2.2 million and $4.3 million, respectively, of losses on hedge contracts associated with the anticipated purchase of machinery, of which $1.0 million in losses had previously been accounted for as a cash flow hedge but was subsequently expensed when the machinery order did not materialize. The contracts outstanding for anticipated purchase commitments that were subsequently canceled were unwound by entering into sales contracts with identical remaining maturities and contract values. These contracts were marked to market with offsetting gains and losses until they matured. The latest maturity for all outstanding purchase and sales foreign currency forward contracts are July, 2002 and March, 2003, respectively.

The dollar equivalent of these forward currency contracts and their related fair values are detailed below (amounts in thousands):

	Mar. 24, 2002	June 24, 2001
Foreign currency purchase contracts:		
Notional amount	$ 3,438	$ 14,400
Fair value	3,391	12,439
Net loss	$ 47	$ 1,961

	Mar. 24, 2002	June 24, 2001
Foreign currency sales contracts:		
Notional amount	$ 14,683	$ 28,820
Fair value	14,788	29,369
Net loss	$ 105	$ 549

For the quarter and year-to-date periods ended March 24, 2002 and March 25, 2001, the total impact of foreign currency related items on the Condensed Consolidated Statements of Operations, including transactions that were hedged and those that were not hedged, was a pre-tax loss of $0.1 million and $0.6 million and $2.8 million and $7.2 million, respectively.

(h) Joint Ventures and Alliances

On September 13, 2000, the Company and SANS Fibres of South Africa formed a 50/50 joint venture (UNIFI - SANS Technical Fibers, LLC or UNIFI-SANS) to produce low-shrinkage high tenacity nylon 6.6 light denier industrial (LDI) yarns in North Carolina. UNIFI-SANS incorporated the two-stage light denier industrial nylon yarn business of Solutia, Inc. (Solutia) which was purchased when the venture was formulated. Solutia exited the two-stage light denier industrial yarn business transitioning production from its Greenwood, South Carolina site to the UNIFI-SANS Stoneville, North Carolina facility, a former Unifi manufacturing location. The UNIFI-SANS facility started initial production in January 2002 and has operated in a start-up mode through the March quarter. It is anticipated that the facility will be substantially on line by the end of the June quarter. Unifi will manage the day-to-day production and shipping of the LDI produced in North Carolina and SANS Fibres will handle technical support and sales. Sales from this entity are expected to be primarily to customers in the NAFTA and CBI markets. Annual LDI production capacity from the joint venture is estimated to be approximately 9.6 million pounds.

On September 27, 2000, Unifi and Nilit Ltd., located in Israel, formed a 50/50 joint venture named U.N.F. Industries Ltd. The joint venture produces approximately 25.0 million pounds of nylon POY at Nilit's manufacturing facility in Migdal Ha - Emek, Israel. Production and shipping of POY from this facility began in March 2001. The nylon POY is utilized in the Company's nylon texturing and covering operations.

In addition, the Company continues to maintain a 34% interest in Parkdale America, LLC and a 32.71% interest in Micell Technologies, Inc.

Condensed balance sheet and income statement information as of March 24, 2002, and for the quarter and year-to-date periods ended March 24, 2002, of the combined unconsolidated equity affiliates is as follows (amounts in thousands):

	March 24, 2002
Current assets	$ 192,444
Noncurrent assets	208,775
Current liabilities	36,584
Shareholders' equity	290,408

	Quarter Ended Mar. 24, 2002	For the Nine Months Ended Mar. 24, 2002
Net sales	$ 115,247	$ 336,075
Gross profit	3,111	15,818
Income (loss) from operations	(1,196)	(681)
Net loss	(6,626)	(11,095)

Effective June 1, 2000, the Company and E.I. DuPont De Nemours and Company (DuPont) initiated a manufacturing alliance. The intent of the alliance is to optimize the Company's and DuPont's partially oriented yarn (POY) manufacturing facilities by increasing manufacturing efficiency and improving product quality. Under its terms, DuPont and the Company cooperatively run their polyester filament manufacturing facilities as a single operating unit. This consolidation involved the closing of the DuPont Cape Fear, North Carolina plant and transition of the commodity yarns from the Company's Yadkinville, North Carolina facility to DuPont's Kinston, North Carolina plant, and high-end specialty production from Kinston and Cape Fear to Yadkinville. The companies split equally the costs to complete the necessary plant consolidation and the benefits gained through asset optimization. Additionally, the companies collectively attempt to increase profitability through the development of new products and related technologies. Likewise, the costs incurred and benefits derived from the product innovations are split equally. DuPont and the Company continue to own and operate their respective sites and employees remained with their respective employers. DuPont continues to provide POY to the marketplace using DuPont technology to expand the specialty product range at each company's sites and the Company continues to provide textured yarn to the marketplace.

During the current quarter and year-to-date, the Company recognized as a reduction of cost of goods sold the cost savings and other benefits from the alliance of $6.0 million and $23.7 million, respectively, compared to $8.1 million and $9.9 for the corresponding prior year quarter and year-to-date periods, respectively.

In the fourth quarter of fiscal 2001, the Company recorded its share of the anticipated costs of closing DuPont's Cape Fear, North Carolina facility. The charge totaled $15.0 million and represented 50% of the expected severance and dismantlement costs of closing this plant. Payments for this obligation are expected to be made over the eighteen-month period ending December 2002. During the current quarter, the Company reduced its obligations by approximately $0.5 million. The estimated remaining liability at March 24, 2002 is $8.1 million.

At termination of the alliance or at any time after June 1, 2005, the Company has the right but not the obligation to purchase from DuPont and DuPont has the right but not the obligation to sell to the Company, DuPont's U.S. polyester filament business, with a rated production capacity of approximately 412 million pounds annually, for a price based on a mutually agreed fair market value within a range of $300 million to $600 million, subject to certain conditions, including the ability of the Company to obtain a reasonable amount of financing on commercially reasonable terms. In the event that the Company does not purchase the DuPont U.S. polyester filament business, DuPont would have the right but not the obligation to purchase the Company's POY facilities, with a rated production capacity of

approximately 185 million pounds annually, for a price based on a mutually agreed fair market value within a range of $125 million to $175 million.

As previously disclosed in the December 2001 Form 10-Q, DuPont and the Company have had discussions regarding their alliance and each party alleged that the other was in breach of material terms of their agreement. On February 5, 2002, the Company received a Demand For And Notice Of Arbitration from DuPont, alleging, among other things, breach of contract and unjust enrichment. DuPont is seeking damages that could amount to approximately $15.0 million, injunctive relief and, absent a satisfactory cure by Unifi, a declaratory judgment terminating the agreement allowing it to sell its interest in the alliance to the Company. The Company on April 1, 2002 filed an answer and counterclaim to DuPont's allegations denying their assertions and seeking damages for various actions and inactions on behalf of DuPont. As the arbitration process is in its early stages, the outcome of this matter cannot be predicted at this time.

(i) Debt Refinancing

On December 7, 2001, the Company refinanced its $150 million revolving bank credit facility and its $100 million accounts receivable securitization, with a new five-year $150 million asset based revolving credit agreement (the "Credit Agreement"). The Credit Agreement is secured by substantially all U.S. assets excluding manufacturing facilities and manufacturing equipment. Borrowing availability is based on eligible domestic accounts receivable and inventory. As of March 24, 2002, the Company had outstanding borrowings of $37.1 million and availability of $83.5 million under the terms of the Credit Agreement.

Borrowings under the Credit Agreement bear interest at LIBOR plus 2.50% and/or prime plus 1.00%, at the Company's option, through February 28, 2003. Effective March 1, 2003, borrowings under the Credit Agreement bear interest at rates selected periodically by the Company of LIBOR plus 1.75% to 3.00% and/or prime plus 0.25% to 1.50%. The interest rate matrix is based on the Company's leverage ratio of funded debt to EBITDA, as defined by the Credit Agreement. On borrowings outstanding at March 24, 2002, the interest rate was 4.37%. Under the Credit Agreement, the Company pays an unused line fee ranging from 0.25% to 0.50% per annum on the unused portion of the commitment. In connection with the refinancing, the Company incurred fees and expenses aggregating $1.9 million, which will be amortized over the term of the Credit Agreement. In addition, $0.5 million of unamortized fees related to the refinancing of the $150 million revolving bank credit facility and the $100 million accounts receivable securitization were charged to operations in the quarter ended December 23, 2001.

The Credit Agreement contains customary covenants for asset based loans which restrict future borrowings and capital spending and, if available borrowings are less than $25 million at any time during the quarter, include a required minimum fixed charge coverage ratio of 1.1 to 1.0 and a required maximum leverage ratio of 5.0 to 1.0. At March 24, 2002, the Company was in compliance with all covenants under the Credit Agreement.

(j) Consolidation and Cost Reduction Efforts

In fiscal 2001, the Company recorded charges of $7.6 million for severance and employee termination related costs and $24.5 million for asset impairments and write-downs. The

majority of these charges related to U.S. and European operations and included plant closings and consolidations, the reorganization of administrative functions and the write down of assets for certain operations determined to be impaired as well as certain non-core businesses that were held for sale. The plant closing and consolidations of the manufacturing and distribution systems were aimed at improving the overall efficiency and effectiveness of the Company's operations and reducing the fixed cost structure in response to decreased sales volumes.

The severance and other employee related costs provided for the termination of approximately 750 people who were terminated as a result of these worldwide initiatives and included management, production workers and administrative support located in Ireland, England and in the United States. Notification of the termination was made to all employees prior to March 24, 2001 and substantially all affected personnel were terminated by the end of April 2001. Severance payments have been made in accordance with various plan terms, which varied from lump sum to a payout over a maximum of 21 months ending December 2002. Additionally, this charge included costs associated with medical and dental benefits for former employees no longer providing services to the Company and provisions for certain consultant agreements for which no future benefit was anticipated.

The charge for impairment and write down of assets included $18.6 million for the write down of duplicate or less efficient property, plant and equipment to their fair value less disposal cost and the write down of certain non-core assets which were held for sale to estimated net realizable value. All of the non-core assets and businesses held for sale included in this charge were disposed of by January 2002. Additionally, an impairment charge of $5.9 million was recorded for the write down to fair value of assets, primarily goodwill, associated with the European polyester dyed yarn operation and Colombian nylon covering operation as the undiscounted cash flows of the business were not sufficient to cover the carrying value of these assets. These reviews were prompted by ongoing excess manufacturing capacity issues. Run-out expenses related to the consolidation and closing of the affected operations, including equipment relocation and other costs associated with necessary ongoing plant maintenance expenses, were charged to operations as incurred and were completed by the end of fiscal 2001.

During the second quarter of fiscal 2002, the Company recorded a $0.6 million charge for severance costs associated with the further consolidation and reduction of selling, general and administrative expenses.

The table below summarizes changes to the accrued liability for the employee severance portion of the consolidation and cost reduction charge for the nine months ended March 24, 2002:

(Amounts in thousands)	Balance at June 24, 2001	Fiscal 2002 Charge	Cash Payments	Balance at Mar. 24, 2002
Accrued Severance Liability	$2,338	$632	$(2,052)	$918

This accrued liability excludes the additional $1.7 million charge recorded in the prior year for the change in estimate associated with the expected payout of medical and dental benefits for former employees who retired and terminated in fiscal year 1999. Substantially all costs other than severance and the change in estimate associated with the expected payout of

medical and dental benefits associated with the consolidation and cost reduction charges were non-cash.

(k) Goodwill and Other Intangible Assets

As described in Note (e), the Company adopted SFAS 142 on June 25, 2001. The following table reconciles net income (loss) for the quarter and nine months ended March 25, 2001 to its pro forma balance adjusted to exclude goodwill amortization expense which is no longer recorded under the provisions of SFAS 142 (amounts in thousands).

	Quarter Ended	Nine Months Ended
Reported net loss	$ (28,548)	$ (29,093)
Add back: goodwill amortization (net of tax)	601	2,124
Adjusted net income (loss)	$ (27,947)	$ (26,969)
Basic net income (loss) per share:		
Reported net loss	$ (.53)	$ (.54)
Adjusted net income (loss)	$ (.52)	$ (.50)
Diluted net income (loss) per share:		
Reported net loss	$ (.53)	$ (.54)
Adjusted net income (loss)	$ (.52)	$ (.50)

There were no changes in the net carrying amount ($59.7 million, net of accumulated amortization of $18.1 million) of goodwill for the quarter and nine months ended March 24, 2002. Goodwill by segment as of March 24, 2002 and June 24, 2001 is as follows: nylon - $46.3 million and polyester - $13.4 million. Intangible assets subject to amortization under SFAS 142 amounted to $1.8 million (net of accumulated amortization of $8.7 million) and $3.4 million (net of accumulated amortization of $7.2 million) at March 24, 2002 and June 24, 2001, respectively. These intangible assets consist of non-compete agreements entered into in connection with business combinations and are amortized over the term of the agreements, principally five years. There are no expected residual values related to these intangible assets. Estimated fiscal year amortization expense is as follows: 2002 - $2.1 million; 2003 - $1.1 million; and 2004 - $0.2 million.

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

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

Results of Operations

Consolidated net sales decreased 16.3% for the quarter from $255.2 million to $213.5 million and 24.7% for the year-to-date from $873.5 million to $658.2 million. Unit volume for the quarter decreased 9.2% while average unit sales prices, based on product mix, declined 7.9%. For the year-to-date, unit volume declined 17.9%, while unit prices, based on product mix, decreased 8.3%.

At the segment level, polyester accounted for 74% and 72% of dollar sales and nylon accounted for 26% and 28% of dollar sales for the current quarter and nine months, respectively.

Polyester

Polyester sales, while down 11.5% and 21.9% for the quarter and year-to-date periods over the corresponding periods of the prior year, experienced improved volumes as the quarter progressed. Sales volume, on a comparable 4-week basis, improved 11.7% in March over the fiscal month of January. Sales price per pound for the polyester segment, based on product mix, also improved in March compared to January.

Our domestic polyester unit volume decreased 10.7% and 20.4% for the March quarter and year-to-date compared to the prior year March quarter and year-to-date. Sales in local currency for our Brazilian operation increased 24.6% for the quarter due to both increases in average selling prices (5.3%) and in volumes (18.3%). For the nine months, sales in local currency for the Brazilian operation improved modestly due to improved sales prices offsetting slightly lower volumes. Sales in local currency of our Irish operation for the quarter and nine months decreased 9.5% and 14.2%, respectively, due to reductions in unit volumes of 10.3% and 16.8%, respectively. The movement in currency exchange rates from the prior year to the current year adversely affected current quarter and year-to-date sales translated to U.S. dollars for the Brazilian operation. U.S. dollar net sales were $3.4 million and $14.5 million less than what sales would have been reported using prior year translation rates for the quarter and year-to-date, respectively, with this effect attributable to the change in the U.S. dollar and Brazilian Reals exchange rate.

Gross profit for our polyester segment increased $2.6 million to $11.8 million in the quarter and decreased $15.4 million to $38.2 million for the nine months. Gross profit improved for the quarter despite a decrease in sales of 11.5% and reduced benefits of $2.1 million from the DuPont manufacturing alliance. This was achieved through lower manufacturing costs. For the nine months, reduced sales of 21.9% and higher manufacturing costs were the primary reasons for the reduced gross profit. The decline in gross profit for the nine months was mitigated by the cost savings and other benefits from the DuPont alliance, which increased gross profit by $13.8 million over the prior year-to-date.

Nylon

Sales for our nylon segment declined 20.2% and 25.5% for the quarter and year-to-date period compared with the previous year's respective periods. Nylon unit volumes declined 6.2% and 13.5% for the March quarter and year-to-date compared to the prior year March quarter and year-to-date. Average sales prices were down approximately 15.1% for the current year quarter and 14.0% for the year-to-date relative to the prior year periods. Consistent with our polyester segment, sales volume for our nylon segment, on a comparable 4-week basis, improved 7.2% in March over the fiscal month of January.

Gross profit for our nylon segment decreased $0.2 million to $3.0 million in the quarter and decreased $8.8 million to $12.5 million for the nine months. Improvements in manufacturing unit costs substantially offset declines in conversion on sales for the quarter (sales less raw materials), resulting in a substantially unchanged gross profit for the current quarter compared to the prior year quarter. For the nine months, the reduced per unit manufacturing costs in the current year were not able to compensate for the lower conversion, accounting for the significant decline year-over-year.

Selling, general and administrative expenses which were allocated to the polyester and nylon segments, based on various cost drivers, decreased from 5.6% of net sales in last year's quarter to 5.5% this quarter and increased from 4.8% in last year's year-to-date to 5.3% for the current year-to-date period. Selling, general and administrative expenses, which were not allocated to the segments, for the current quarter and year-to-date periods includes a charge related to the forgiveness of a of $1.2 million loan to the CEO which was due and payable on May 1, 2002 plus an adjustment to cover the personal tax consequences of this debt forgiveness. The loan was originally made in 1999 to assist the CEO and his family in relocating to the United States from Ireland and in purchasing a home. The loan forgiveness was made by the unanimous decision of the Company's Board of Directors. On a dollar basis, allocated polyester and nylon selling, general and administrative expense decreased $2.2 million from $14.0 million to $11.8 million for the current quarter. These lower costs are primarily due from the savings achieved from the cost reduction efforts initiated in March 2001. Polyester and nylon selling, general and administrative costs for the year-to-date, on a dollar basis, decreased $5.9 million from $40.8 million to $34.9 million. During the second quarter of fiscal 2002, the Company recorded a $0.6 million charge for severance costs associated with the further consolidation and reduction of selling, general and administrative expenses.

Corporate

Interest expense decreased $2.4 million to $4.9 million in the current quarter and $6.9 million to $17.2 million for the year-to-date. The decrease in interest expense for the quarter and nine months reflects lower average debt outstanding and lower average interest rates. The weighted average interest rate on outstanding debt at March 24, 2001, was 6.30% compared to 6.33% at March 25, 2001.

Other income and expense was positively impacted during the current quarter and for the nine-month period by gains on the sale of non-operating assets of $2.8 million and $5.7 million, respectively. However, for the current year-to-date period, other income and expense was negatively impacted by a non-cash loss of $1.3 million stemming from the sale of the remaining assets of Unifi Technology Group. In the prior year quarter, other income and

expense included a charge of $2.2 million in currency losses associated with the unwinding of certain Euro-based hedges originally secured to purchase machinery, which were subsequently determined to be no longer necessary. This is in addition to $2.1 million charged in the first two quarters of that year. Other income and expense for the current and prior year quarters also includes $1.7 million and $1.8 million, respectively, for the provision for bad debts. For the current year-to-date period, the bad debt provision was $3.5 million compared to $4.4 million for the prior year-to-date.

Equity in the net losses, to the extent recognized, of our unconsolidated affiliates, Parkdale America, LLC, Micell Technologies, Inc., Unifi-Sans Technical Fibers, LLC and U.N.F. Industries Ltd amounted to $2.9 million in the third quarter of fiscal 2002 compared with earnings of $2.0 million for the corresponding prior year quarter. For the year-to-date, our share of the losses in these entities totaled $4.6 million for the current year compared to income of $0.2 million in the prior year. Additional details regarding the Company's investments in unconsolidated equity affiliates and alliances follows:

On September 13, 2000, the Company and SANS Fibres of South Africa formed a 50/50 joint venture (UNIFI - SANS Technical Fibers, LLC or UNIFI-SANS) to produce low-shrinkage high tenacity nylon 6.6 light denier industrial (LDI) yarns in North Carolina. UNIFI-SANS incorporated the two-stage light denier industrial nylon yarn business of Solutia, Inc. (Solutia) which was purchased when the venture was formulated. Solutia exited the two-stage light denier industrial yarn business transitioning production from its Greenwood, South Carolina site to the UNIFI-SANS Stoneville, North Carolina facility, a former Unifi manufacturing location. The UNIFI-SANS facility started initial production in January 2002 and has operated in a start-up mode through the March quarter. It is anticipated that the facility will be substantially on line by the end of the June quarter. Unifi will manage the day-to-day production and shipping of the LDI produced in North Carolina and SANS Fibres will handle technical support and sales. Sales from this entity are expected to be primarily to customers in the NAFTA and CBI markets. Annual LDI production capacity from the joint venture is estimated to be approximately 9.6 million pounds.

On September 27, 2000, Unifi and Nilit Ltd., located in Israel, formed a 50/50 joint venture named U.N.F. Industries Ltd. The joint venture produces approximately 25.0 million pounds of nylon POY at Nilit's manufacturing facility in Migdal Ha - Emek, Israel. Production and shipping of POY from this facility began in March 2001. The nylon POY is utilized in the Company's nylon texturing and covering operations.

In addition, the Company continues to maintain a 34% interest in Parkdale America, LLC and a 32.71% interest in Micell Technologies, Inc.

Condensed balance sheet and income statement information as of March 24, 2002, and for the quarter and year-to-date periods ended March 24, 2002, of the combined unconsolidated equity affiliates is as follows (amounts in thousands):

	March 24, 2002
Current assets	$ 192,444
Noncurrent assets	208,775
Current liabilities	36,584
Shareholders' equity	290,408

	Quarter Ended Mar. 24, 2002	For the Nine Months Ended Mar. 24, 2002
Net sales	$ 115,247	$ 336,075
Gross profit	3,111	15,818
Income (loss) from operations	(1,196)	(681)
Net loss	(6,626)	(11,095)

Effective June 1, 2000, the Company and E.I. DuPont De Nemours and Company (DuPont) initiated a manufacturing alliance. The intent of the alliance is to optimize the Company's and DuPont's partially oriented yarn (POY) manufacturing facilities by increasing manufacturing efficiency and improving product quality. Under its terms, DuPont and the Company cooperatively run their polyester filament manufacturing facilities as a single operating unit. This consolidation involved the closing of the DuPont Cape Fear, North Carolina plant and transition of the commodity yarns from the Company's Yadkinville, North Carolina facility to DuPont's Kinston, North Carolina plant, and high-end specialty production from Kinston and Cape Fear to Yadkinville. The companies split equally the costs to complete the necessary plant consolidation and the benefits gained through asset optimization. Additionally, the companies collectively attempt to increase profitability through the development of new products and related technologies. Likewise, the costs incurred and benefits derived from the product innovations are split equally. DuPont and the Company continue to own and operate their respective sites and employees remained with their respective employers. DuPont continues to provide POY to the marketplace using DuPont technology to expand the specialty product range at each company's sites and the Company continues to provide textured yarn to the marketplace.

During the current quarter and year-to-date, the Company recognized as a reduction of cost of goods sold the cost savings and other benefits from the alliance of $6.0 million and $23.7 million, respectively, compared to $8.1 million and $9.9 for the corresponding prior year quarter and year-to-date periods, respectively.

In the fourth quarter of fiscal 2001, the Company recorded its share of the anticipated costs of closing DuPont's Cape Fear, North Carolina facility. The charge totaled $15.0 million and represented 50% of the expected severance and dismantlement costs of closing this plant. Payments for this obligation are expected to be made over the eighteen-month period ending December 2002. During the current quarter, the Company reduced its obligations by approximately $0.5 million. The estimated remaining liability at March 24, 2002 is $8.1 million.

At termination of the alliance or at any time after June 1, 2005, the Company has the right but not the obligation to purchase from DuPont and DuPont has the right but not the obligation to

sell to the Company, DuPont's U.S. polyester filament business, with a rated production capacity of approximately 412 million pounds annually, for a price based on a mutually agreed fair market value within a range of $300 million to $600 million, subject to certain conditions, including the ability of the Company to obtain a reasonable amount of financing on commercially reasonable terms. In the event that the Company does not purchase the DuPont U.S. polyester filament business, DuPont would have the right but not the obligation to purchase the Company's POY facilities, with a rated production capacity of approximately 185 million pounds annually, for a price based on a mutually agreed fair market value within a range of $125 million to $175 million.

The minority interest charge was $0 in the current year fiscal quarter compared to $152 thousand in the prior year quarter and $0.9 million for the year to date compared to $5.6 million in the prior year. The decrease in minority interest expense in the current quarter and year to date is due to lower operating results and cash flows generated by our domestic natural textured polyester business venture with Burlington Industries, which has historically represented substantially all of the minority interest charge.

In fiscal 2001, the Company recorded charges of $7.6 million for severance and employee termination related costs and $24.5 million for asset impairments and write-downs. The majority of these charges related to U.S. and European operations and included plant closings and consolidations, the reorganization of administrative functions and the write down of assets for certain operations determined to be impaired as well as certain non-core businesses that were held for sale. The plant closing and consolidations of the manufacturing and distribution systems were aimed at improving the overall efficiency and effectiveness of the Company's operations and reducing the fixed cost structure in response to decreased sales volumes.

The severance and other employee related costs provided for the termination of approximately 750 people who were terminated as a result of these worldwide initiatives and included management, production workers and administrative support located in Ireland, England and in the United States. Notification of the termination was made to all employees prior to March 24, 2001 and substantially all affected personnel were terminated by the end of April 2001. Severance payments have been made in accordance with various plan terms, which varied from lump sum to a payout over a maximum of 21 months ending December 2002. Additionally, this charge included costs associated with medical and dental benefits for former employees no longer providing services to the Company and provisions for certain consultant agreements for which no future benefit was anticipated.

The charge for impairment and write down of assets included $18.6 million for the write down of duplicate or less efficient property, plant and equipment to their fair value less disposal cost and the write down of certain non-core assets which were held for sale to estimated net realizable value. All of the non-core assets and businesses held for sale included in this charge were disposed of by January 2002. Additionally, an impairment charge of $5.9 million was recorded for the write down to fair value of assets, primarily goodwill, associated with the European polyester dyed yarn operation and Colombian nylon covering operation as the undiscounted cash flows of the business were not sufficient to cover the carrying value of these assets. These reviews were prompted by ongoing excess manufacturing capacity issues. Run-out expenses related to the consolidation and closing of the affected operations, including equipment relocation and other costs associated with necessary ongoing plant maintenance expenses, were charged to operations as incurred and were completed by the end of fiscal 2001.

During the second quarter of fiscal 2002, the Company recorded a $0.6 million charge for severance costs associated with the further consolidation and reduction of selling, general and administrative expenses.

The table below summarizes changes to the accrued liability for the employee severance portion of the consolidation and cost reduction charge for the nine months ended March 24, 2002:

(Amounts in thousands)	Balance at June 24, 2001	Fiscal 2002 Charge	Cash Payments	Balance at Mar. 24, 2002
Accrued Severance Liability	$2,338	$632	$(2,052)	$918

This accrued liability excludes the additional $1.7 million charge recorded in the prior year for the change in estimate associated with the expected payout of medical and dental benefits for former employees who retired and terminated in fiscal year 1999. Substantially all costs other than severance and the change in estimate associated with the expected payout of medical and dental benefits associated with the consolidation and cost reduction charges were non-cash.

The Company's income tax provision (benefit) for both current and prior year periods is different from the U.S. statutory rate due to foreign operations being taxed at lower effective rates and substantially no income tax benefits have been recognized for the losses incurred by foreign subsidiaries as the recoverability of such tax benefits through loss carryforwards or carrybacks is not reasonably assured.

As a result of the above, the Company realized during the current quarter a net loss of $3.6 million, or a loss per share of $.07, compared to a net loss of $28.5 million, or $.53 loss per share, for the corresponding quarter of the prior year, and a net loss of $4.0 million or $.08 per share compared to a net loss of $29.1 million or $.54 per share for the respective year-to-date periods.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141). SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method is prohibited after this date. SFAS 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination completed after June 30, 2001. The Company adopted SFAS 141 on July 1, 2001.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). As allowed under the Standard, the Company has adopted SFAS 142 retroactively to June 25, 2001. SFAS 142 requires goodwill and intangible assets with indefinite useful lives to no longer be amortized, but instead be tested for impairment at least annually.

With the adoption of SFAS 142, the Company reassessed the useful lives and residual values of all acquired intangible assets to make any necessary amortization period adjustments. Based on that assessment, no adjustments were made to the amortization period or residual values of other intangible assets.

In accordance with the transition provisions of SFAS 142, we have completed the first step of the transitional goodwill impairment test for all the reporting units of the Company. The results of that test have indicated that goodwill, with a net carrying value of $46.3 million, associated with our nylon business may be impaired and an impairment loss may have to be recognized. The amount of that loss has not been estimated, and the measurement of that loss is expected to be completed prior to the end of the fourth quarter of 2002. Any resulting impairment loss will be recognized as the cumulative effect of a change in accounting principle and reflected in the first quarter of 2002.

As described above, the Company adopted SFAS 142 on June 25, 2001. The following table reconciles net income (loss) for the quarter and nine months ended March 25, 2001 to its pro forma balance adjusted to exclude goodwill amortization expense which is no longer recorded under the provisions of SFAS 142 (amounts in thousands).

	Quarter Ended	Nine Months Ended
Reported net loss	$ (28,548)	$ (29,093)
Add back: goodwill amortization (net of tax)	601	2,124
Adjusted net income (loss)	$ (27,947)	$ (26,969)
Basic net income (loss) per share:		
Reported net loss	$ (.53)	$ (.54)
Adjusted net income (loss)	$ (.52)	$ (.50)
Diluted net income (loss) per share:		
Reported net loss	$ (.53)	$ (.54)
Adjusted net income (loss)	$ (.52)	$ (.50)

There were no changes in the net carrying amount ($59.7 million, net of accumulated amortization of $18.1 million) of goodwill for the quarter and nine months ended March 24, 2002. Goodwill by segment as of March 24, 2002 and June 24, 2001 is as follows: nylon - $46.3 million and polyester - $13.4 million. Intangible assets subject to amortization under SFAS 142 amounted to $1.8 million (net of accumulated amortization of $8.7 million) and $3.4 million (net of accumulated amortization of $7.2 million) at March 24, 2002 and June 24, 2001, respectively. These intangible assets consist of non-compete agreements entered into in connection with business combinations and are amortized over the term of the agreements, principally five years. There are no expected residual values related to these intangible assets. Estimated fiscal year amortization expense is as follows: 2002 - $2.1 million; 2003 - $1.1 million; and 2004 - $0.2 million.

Effective June 26, 2000, the Company began accounting for derivative contracts and hedging activities under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) which requires all derivatives to be recorded on the balance sheet at fair value. There was no cumulative effect adjustment of adopting this accounting standard in fiscal 2001. 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 does not enter into derivative financial instruments for trading purposes.

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 purchase commitments) and the dates they are consummated (cash receipts and cash disbursements in foreign currencies). The Company utilizes some natural hedging to mitigate these transaction exposures. The Company also enters into foreign currency forward contracts for the purchase and sale of European, Canadian, Brazilian 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. Counterparties 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 or anticipated equipment and inventory purchases. Generally, 50-75% of the asset cost is covered by forward contracts although 100% of the asset cost may be covered by contracts in certain instances. 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 for purchase transactions the Company is firmly committed. For anticipated purchase transactions, gains or losses on hedge contracts are accumulated in Other Comprehensive Income (Loss) and periodically evaluated to assess hedge effectiveness. In the prior year quarter and nine-month period, the Company recorded approximately $2.2 million and $4.3 million, respectively, of losses on hedge contracts associated with the anticipated purchase of machinery, of which $1.0 million in losses had previously been accounted for as a cash flow hedge but was subsequently expensed when the machinery order did not materialize. The contracts outstanding for anticipated purchase commitments that were subsequently canceled were unwound by entering into sales contracts with identical remaining maturities and contract values. These contracts were marked to market with offsetting gains and losses until they matured. The latest maturity for all outstanding purchase and sales foreign currency forward contracts are July, 2002 and March, 2003, respectively.

The dollar equivalent of these forward currency contracts and their related fair values are detailed below (amounts in thousands):

	Mar. 24, 2002	June 24, 2001
Foreign currency purchase contracts:		
Notional amount	$ 3,438	$ 14,400
Fair value	3,391	12,439
Net loss	$ 47	$ 1,961

	Mar. 24, 2002	June 24, 2001
Foreign currency sales contracts:		
Notional amount	$ 14,683	$ 28,820
Fair value	14,788	29,369
Net loss	$ 105	$ 549

For the quarter and year-to-date periods ended March 24, 2002 and March 25, 2001, the total impact of foreign currency related items on the Condensed Consolidated Statements of Operations, including transactions that were hedged and those that were not hedged, was a pre-tax loss of $0.1 million and $0.6 million and $2.8 million and $7.2 million, respectively.

Liquidity and Capital Resources

Cash generated from operations was $66.3 million for the year-to-date period ended March 24, 2002, compared to $126.8 million for the prior year corresponding period. The primary sources of cash from operations and other non-cash adjustments to the net loss of $4.4 million for the first nine months of fiscal 2002 were decreases in accounts receivable of $27.5 million and inventories of $2.7 million, income tax recoveries of $12.3 million, depreciation and amortization aggregating $58.3 million, non-cash losses of unconsolidated equity affiliates of $4.6 million and a non-cash compensation charge of $1.2 million. Offsetting these sources of cash from operations was a reduction in accounts payable and accrued liabilities of $28.6 million and net gains from the sale of assets of $4.3 million. All working capital changes have been adjusted to exclude currency translation effects.

The Company ended the current quarter with working capital of $145.1 million, which included cash and cash equivalents of $18.9 million.

The Company utilized $14.7 million for net investing activities and $41.2 million from net financing activities during the current year-to-date period. Significant cash expenditures during this period included $6.2 million for capital expenditures and $11.2 million for investments in unconsolidated equity affiliates. Also, the Company repaid $36.5 million in net borrowings during this period and invested, on a long-term basis, $2.7 million of restricted cash from the Brazilian government. The Company also received cash proceeds from the sale of capital assets of $6.5 million.

At March 24, 2002 the Company was not committed for the purchase of any significant capital expenditures. The Company anticipates that capital expenditures for fiscal 2002 will approximate $12.0 million.

The Company periodically evaluates the carrying value of long-lived assets, including property, plant and equipment and finite lived intangibles to determine if impairment exists. If the sum of expected future undiscounted cash flows is less than the carrying amount of the asset, additional analysis is performed to determine the amount of loss to be recognized. The Company continues to evaluate for impairment the carrying value of its polyester natural textured operations and its nylon texturing and covering operations as the importation of fiber, fabric and apparel continues to impair sales volumes and margins for these operations and has negatively impacted the U.S. textile and apparel industry in general.

Additionally, the Company will perform an annual goodwill impairment test for all reporting units (nylon and polyester) in accordance with the provisions of SFAS 142 and continues to monitor the carrying value of its investments in unconsolidated equity affiliates.

On December 7, 2001, the Company refinanced its $150 million revolving bank credit facility and its $100 million accounts receivable securitization, with a new five-year $150 million asset based revolving credit agreement (the "Credit Agreement"). The Credit Agreement is secured by substantially all U.S. assets excluding manufacturing facilities and manufacturing equipment. Borrowing availability is based on eligible domestic accounts receivable and inventory. As of March 24, 2002, the Company had outstanding borrowings of $37.1 million and availability of $83.5 million under the terms of the Credit Agreement.

Borrowings under the Credit Agreement bear interest at LIBOR plus 2.50% and/or prime plus 1.00%, at the Company's option, through February 28, 2003. Effective March 1, 2003, borrowings under the Credit Agreement bear interest at rates selected periodically by the Company of LIBOR plus 1.75% to 3.00% and/or prime plus 0.25% to 1.50%. The interest rate matrix is based on the Company's leverage ratio of funded debt to EBITDA, as defined by the Credit Agreement. On borrowings outstanding at March 24, 2002, the interest rate was 4.37%. Under the Credit Agreement, the Company pays an unused line fee ranging from 0.25% to 0.50% per annum on the unused portion of the commitment. In connection with the refinancing, the Company incurred fees and expenses aggregating $1.9 million, which will be amortized over the term of the Credit Agreement. In addition, $0.5 million of unamortized fees related to the refinancing of the $150 million revolving bank credit facility and the $100 million accounts receivable securitization were charged to operations in the quarter ended December 23, 2001.

The Credit Agreement contains customary covenants for asset based loans which restrict future borrowings and capital spending and, if available borrowings are less than $25 million at any time during the quarter, include a required minimum fixed charge coverage ratio of 1.1 to 1.0 and a required maximum leverage ratio of 5.0 to 1.0. At March 24, 2002, the Company was in compliance with all covenants under the Credit Agreement.

The Board of Directors, effective July 26, 2000, increased the remaining authorization to repurchase up to 10.0 million shares of Unifi's common stock of which an authorization to purchase 8.6 million shares remains. The Company will continue to operate its stock buy-back program from time to time as it deems appropriate and financially prudent. However, the Company did not repurchase any shares during the first nine months of fiscal 2002 and presently does not anticipate any significant share repurchases during the remainder of fiscal 2002 or until such time as debt is reduced to a level acceptable to management based on operating conditions and cash flows existing at such time.

As further described in Note (h) of the Notes to Condensed Consolidated Financial Statements and Item 1 of Part II to this 10-Q filing, on February 5, 2002, the Company received a Demand For And Notice Of Arbitration from DuPont, alleging, among other things, breach of contract and unjust enrichment. DuPont is seeking damages that could amount to approximately $15.0 million, injunctive relief and, absent a satisfactory cure by Unifi, a declaratory judgment terminating the agreement allowing it to sell its interest in the alliance to the Company. The Company on April 1, 2002 filed an answer and counterclaim to DuPont's allegations denying their assertions and seeking damages for various actions and inactions on behalf of DuPont. As

the arbitration process is in its early stages, the outcome of this matter cannot be predicted at this time.

The current business climate for U.S. based textile manufacturers remains very challenging due to pressures from the importation of fabric and apparel, excess capacity, currency imbalances and weaknesses at retail. This situation, while indicating some signs of improvement in the current quarter, is still difficult and significant sustainable improvements cannot be assured presently. This highly competitive environment has impacted the markets in which the Company competes, both domestically and abroad. Consequently, management took certain consolidation and cost reduction actions during fiscal year 2001 to align our capacity with current market demands. Should business conditions worsen the Company is prepared to take such further actions as deemed necessary to align our capacity and cost structure with market demands. Management believes the current financial position of the Company in connection with its operations and its access to debt and equity markets (as evidenced by the Company refinancing its existing revolving credit facility and accounts receivable securitization during the current year - see discussion above) are sufficient to meet working capital and long-term investment needs and pursue strategic business opportunities.

Euro Conversion

The Company conducts business in multiple currencies, including the currencies of various European countries in the European Union which began participating in the single European currency by adopting the Euro as their common currency as of January 1, 1999. Additionally, the functional currency of our Irish operation and several sales office locations changed on December 31, 2001, from their historical currencies to the Euro. During the transition period that ended December 31, 2001, the existing currencies of the member countries remained legal tender and customers and vendors of the Company continued to use these currencies when conducting business. Currency rates during this period, however, were not computed from one legacy currency to another but instead were first converted into the Euro. On January 1, 2002, Euro denominated bills and coins were issued and began circulating. Most participating countries plan to withdraw legacy currencies from circulation by February 28, 2002. The Company continues to evaluate the Euro conversion and the impact on its business, both strategically and operationally. At this time, the conversion to the Euro has not had, nor is expected to have, a material adverse effect on the financial condition or results of operations of the Company.

Forward Looking Statements

Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this quarterly report contain forward-looking statements within the meaning of federal security laws about the Company's financial condition and results of operations that are based on management's current expectations, estimates and projections about the markets in which the Company operates, management's beliefs and assumptions made by management. Words such as "expects," "anticipates," "believes," "estimates," variations of such words and other similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, such forward-looking statements. Readers are cautioned not to

place undue reliance on these forward-looking statements, which reflect management's judgment only as of the date hereof. The Company undertakes no obligation to update publicly any of these forward-looking statements to reflect new information, future events or otherwise.

Factors that may cause actual outcome and results to differ materially from those expressed in, or implied by, these forward-looking statements include, but are not necessarily limited to, availability, sourcing and pricing of raw materials, pressures on sales prices and volumes due to competition and economic conditions, reliance on and financial viability of significant customers, operating performance of joint ventures, alliances and other equity investments, technological advancements, employee relations, changes in construction spending, capital expenditures and long-term investments (including those related to unforeseen acquisition opportunities), continued availability of financial resources through financing arrangements and operations, outcomes of pending or threatened legal proceedings, negotiation of new or modifications of existing contracts for asset management and for property and equipment construction and acquisition, regulations governing tax laws, other governmental and authoritative bodies' policies and legislation, the continuation and magnitude of the Company's common stock repurchase program and proceeds received from the sale of assets held for disposal. In addition to these representative factors, forward-looking statements could be impacted by general domestic and international economic and industry conditions in the markets where the Company competes, such as changes in currency exchange rates, interest and inflation rates, recession and other economic and political factors over which the Company has no control. Other risks and uncertainties may be described from time to time in the Company's other reports and filings with the Securities and Exchange Commission.

Part II. Other Information

Item 1. Legal Proceedings

As described above under "Management's Discussion and Analysis of Financial Condition and Results of Operations" the Company and DuPont entered into a manufacturing alliance in June 2000 to produce partially oriented polyester filament yarn. DuPont and the Company have had discussions regarding their alliance and each party alleged that the other was in breach of material terms of their agreement. On February 5, 2002, the Company received a Demand For And Notice Of Arbitration from DuPont, alleging, among other things, breach of contract and unjust enrichment. DuPont is seeking damages that could amount to approximately $15.0 million, injunctive relief and, absent a satisfactory cure by Unifi, a declaratory judgment terminating the agreement allowing it to sell its interest in the alliance to the Company. The Company on April 1, 2002 filed an answer and counterclaim to DuPont's allegations denying their assertions and seeking damages for various actions and inactions on behalf of DuPont. As the arbitration process is in its early stages, the outcome of this matter cannot be predicted at this time.

Item 6. Exhibits and Reports on Form 8-K

(b) No reports on Form 8-K have been filed during the quarter ended March 24, 2002.

Signatures

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

UNIFI, INC.

Date: May 8, 2002

/s/ Willis C. Moore, III

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

Date: May 8, 2002

/s/ Edward A. Imbrogno

Edward A. Imbrogno
Chief Accounting Officer