

CAROLINA MILLS, INC.
ANNUAL REPORT 1979

Highlights of the Year

CAROLINA MILLS, INC.
And Wholly Owned Subsidiary Corporation

	Year Ended	
	September 29, 1979	September 30, 1978
Operations:		
Sale of Products	\$80,925,750	\$82,470,935
Earnings Before Income Taxes	7,614,133	8,486,566
Net Income After Taxes	4,285,385	4,519,104
Depreciation and Amortization	3,134,477	2,664,032
Cash Flow	7,419,862	7,183,136
Financial Position:		
Working Capital	\$ 9,693,813	\$11,120,418
Long-Term Debt	1,085,641	\$ 4,216,690
Total Assets	38,143,336	\$37,404,873
Stockholders' Equity	24,734,217	\$21,912,564
Shares Outstanding at End of Year	3,399,046	3,417,619
Per Share of Common Stock:		
Earnings After Taxes	\$ 1.26	\$ 1.32
Cash Flow	\$ 2.18	\$ 2.10
Cash Dividends	\$.40	\$.34
Book Value at End of Year	\$ 7.28	\$ 6.41



To Our Shareholders:

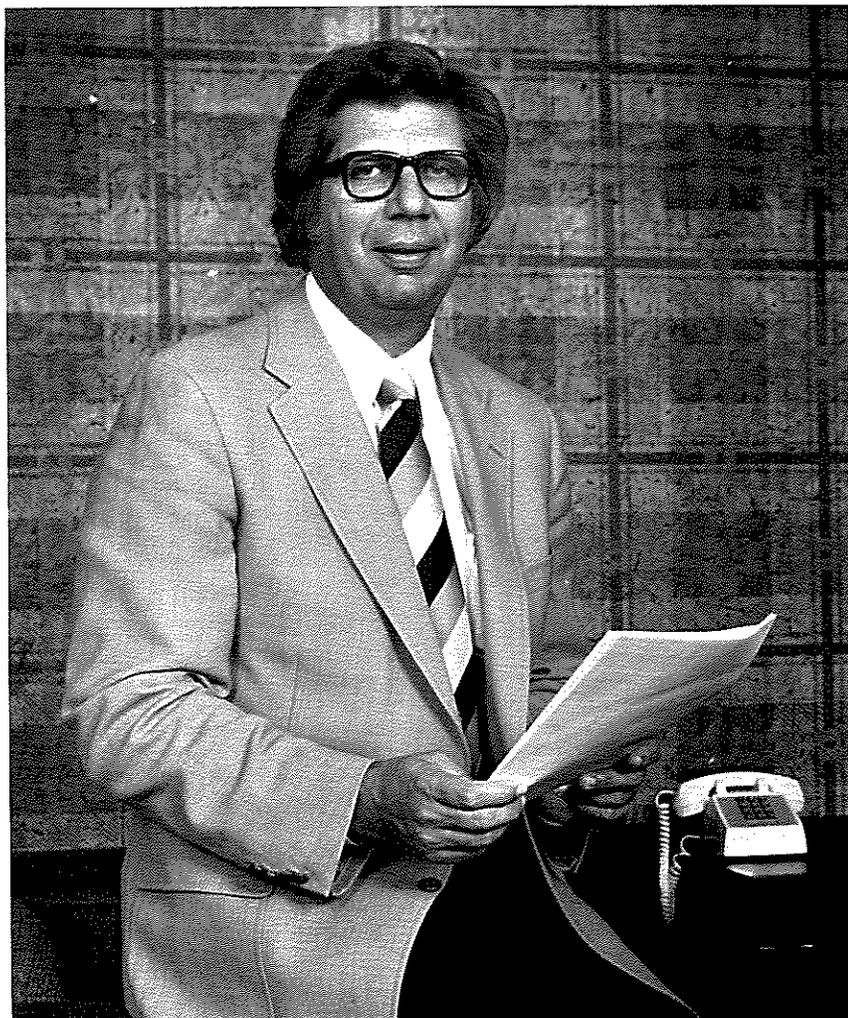
An interesting and exciting year ... this was 1979 at Carolina Mills. Not our best year, but our second best. We were not able to increase our sales volume due to general economic conditions; however, our profit position remained good which demonstrates the competitive manufacturing capability of our organization.

During the year, progress was made installing new equipment in our plants protecting our ability to compete favorably for business, as well as improving the quality of our products. In addition, our export programs continued to grow and now represent approximately eight per cent of our sales volume. Other segments of the company were carefully checked and fine-tuned for future growth.

Looking ahead, our results obviously will depend on the depth of the recession in our economy. It is not easy to determine what effect the government's monetary policies will have on our customers and consequently our business. However, as of now, we see a period of similar earnings until the inflation situation is resolved. Once into the eighties, we can see continued growth and increased profits for your company.

Edward P. Schrum

Edward P. Schrum
President



The Year in Review

At the end of the fiscal year, Carolina Mills employed a total of 1,470 people, which is a slight decrease from the last several years. This can be attributed to the installation of more automated equipment in several of our plants. An employee survey conducted during August revealed that a good majority of our people do read the annual report, plant newspapers and other information distributed to them. Many comments and suggestions were made, some of which have resulted in improvements and changes in the work situation. During the year, the company established the policy of granting jury duty allowance to those who serve. Total assets in the Carolina Mills Employees' Credit Union approached \$1 million (\$895,779) with a total participation of 1,084 employees. Again this year, the company was able to make a substantial contribution to the retirement programs—\$1,393,000 to Profit Sharing and \$285,000 to Pension. Efforts continue to assure that our people have secure, well-paying jobs in a clean and pleasant atmosphere.

SALES YARN DIVISION

Throughout this year our emphasis in the yarn manufacturing plants has been on quality and cost. With the cooperation and hard work of our people, we are consistently maintaining our goal of producing the very best quality yarns at competitive prices.

The sales yarn market has been very spotty. Our customers have been preparing for a recession and ordering yarn accordingly. As they received orders for fabric, they placed orders for yarns; thus we have not had the backlog of orders to plan production and keep all the plants running efficiently. The only exception to this has been the demand for fine count yarns, going primarily into terry fabrics for apparel ... both active sportswear and dresses.

1979 saw the completion of the card room changeover in plant #1 with the addition of eight new mixing hoppers. With no clear direction in the market, #1 has been able to operate at near capacity this past year because of the extreme flexibility of this plant. We have made full use of this flexibility in order to keep production at high levels and inventory under control. Looking toward the future, considerable development work has been done at plant #1 on a new "living ring" concept for ring spinning, as well as trial studies on a fully automated Schlafhorst Autocoro open-end spinning frame.

Plant #2 has suffered because of a general slowdown in the home furnishings fabric market, where a large portion of its production goes. Work is in progress to develop new programs and new yarns to better utilize this facility. Plant #2 has already begun experimental work in producing slub type open-end yarns.

Business has been relatively good in the apparel trade and sliver knit pile fabric market, thus plant #5 has operated at near capacity all year. A major change in product mix greatly affected operations at plant #6 during the year. This plant was converted to spin 100% acrylic yarns for the spring needle fabric and hosiery market. We have experienced more difficulty in making this change than anticipated, however recent orders give us optimism that the worst is behind. The planned modernization of the winding room at plant #5 and the card room at plant #6 should make 1980 an exciting and challenging year.

The new winding room for plant #8 was completed and the eight new Schlafhorst Model 138 Autoconers are now in operation. This plant has experienced the nervous market for yarns resulting in a spotty operation throughout the year. Currently, however, plant #8 is producing yarns going into the terry market and operating at a satisfactory level.

Plant #12 has been the most consistent of our yarn operations this past year. Demand for fine count polyester yarns which this plant produces has been very strong allowing for capacity operation all year. The addition of the new downstairs spinning room and the thirty-seven Whitin spinning frames from plant #3 enables an increase in plant #12's participation in the fine count yarn market.

We have continued to expand export sales both in dollar volume and pounds shipped. With an anticipated slowdown in the domestic market, additional emphasis has been given to our export program to help keep our plants operating. This past year we established "DISC" (Domestic International Sales Corporation) which will enable us to defer taxes on income derived from export sales. Also major emphasis has been given to establishing ourselves in new markets in the world (New Zealand, Australia and the Far East).

KNIT FINISHING DIVISION

The fiscal year 1979 was overall a good year for plant #4. Our dye programs remained very strong for the entire year. Bleach programs became weak in July and have remained so through the end of the fiscal year. We are currently running dye programs six days per week and white three days per week.

During the year we installed a new Proctor Schwartz 6-reel dryer. The old National loop dryer which had served its day was removed. This change will allow more efficiency and balance the flow of fabric. Two A.T.Y.C. low liquor dyeing machines have been installed and are operating. Two more of these machines are to be installed in addition to a sample machine.

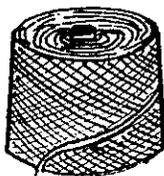
We anticipate these dyeing machines and the dryer will enable us to operate the coming year more efficiently and with increased pounds.

WEAVING DIVISION

For the fiscal year ending September 29, plant #3 had the highest production and dollar volume of sales in its history. The new machinery for making warp yarn was put into full production in July. This installation includes bale grabbing and blending, cleaning, high speed cards, high speed drawing and open-end spinning, with Magna-Vac air systems for waste extraction and central filtration. The cotton dust levels are now far below the new OSHA dust standards. Machinery contracts have been placed for automatic bale grabbing and blending, enclosed cleaning and chute fed high speed cards for filling yarn preparation, with delivery to be June and July of 1980. Through the seven months of changeover and installation, our employees did an excellent job of maintaining production and high quality standards.

Although plant #14 has been through a turbulent year, our designer fabrics and the big changeover experienced in developing a full line of nylon contract fabrics for theatre, auditorium and office seating trade are beginning to come to fruition. We are anticipating a good year in the production and sales in these higher priced fabrics. These developments will enable us to change some of the production from the low end and promotional residential market to the medium and high priced covers. We are proud of the fact that even though this plant operated most of the year on a curtailed basis, our people remained loyal.

Distribution of Income



TOTAL INCOME

\$81,762,833
(100%)



WAGES & SALARIES

\$16,376,880 (20.03%)



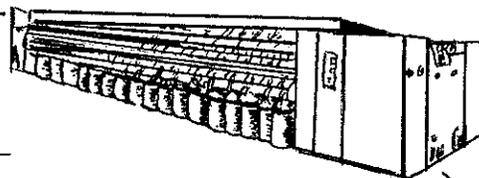
FRINGE BENEFITS

\$5,045,127 (6.17%)



RAW MATERIALS & SUPPLIES

\$49,092,063 (60.04%)



DEPRECIATION OF PLANT & EQUIPMENT

\$3,133,252 (3.83%)



TAXES & DONATIONS

\$3,830,126
(4.68%)

REINVESTED IN GROWTH OF COMPANY

\$2,921,545 (3.57%)



DIVIDENDS TO SHAREHOLDERS

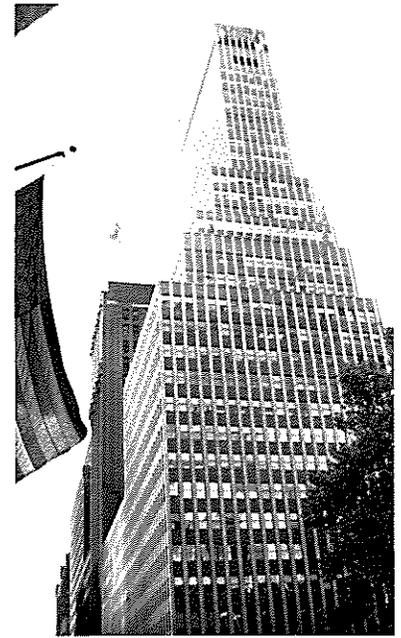
\$1,363,840
(1.67%)



Carolina Maiden Corporation

There's a sharp contrast between the rural, small-town settings where Carolina Mills yarns are produced and the big-city atmosphere where they are marketed. Like the city surrounding them, the Carolina Maiden people in New York are a bustling, fast-paced group. The telephone is their vital link not only with customers but with other Carolina Maiden offices in Atlanta, New England, Pennsylvania and Maiden. It is primarily through this medium that they coordinate orders, production and delivery dates with yarn plants and customers. This is no small task since they represent not only Carolina Mills on all sales yarn but 22 other accounts as well.

Established as a subsidiary of Carolina Mills to handle the marketing of their yarn, the Carolina Maiden organization has established a very fine reputation and are looked to as leaders in the industry. Since being chartered in 1964, the corporation has increased its volume over six times. About 75% of their business is for Carolina Mills, the other 25% for other mills whose yarns do not conflict with those of the parent company. President of Carolina Maiden, Edward L. Strauss, attributes the success to the fine group of aggressive, professional people on their staff and the diversified product line they merchandise. "All of our sales representatives are very conscious of making a profit on orders they sell and work in that direction," he comments. Strauss, who has been with the corporation since its beginning, feels they have been especially creative in the last six or seven years, working with customers to develop yarns for their needs as well as creating new yarns for sampling. He feels that bringing designers, fiber suppliers, customers and salesmen together at annual outings in each area has developed close business relationships.



Union Dime Building, home of Carolina Maiden offices in New York City.



EDWARD L. STRAUSS, President, directs the activities of Carolina Maiden from his New York office.

New York Office



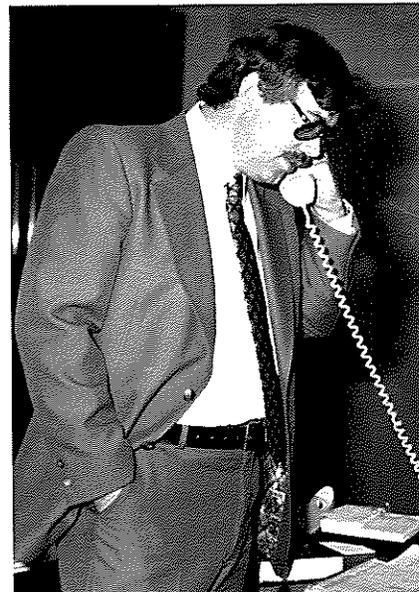
FLORENCE LIPPINCOTT was the first female sales representative in the textile industry, establishing a precedent which competitors have followed. Ms. Lippincott began with Carolina Maiden in 1967 as customer coordinator, then was promoted when the sales opening became available in 1972.



LORELEI PEPE works in customer relations and is production coordinator for outside accounts. In general she aids customers with any problems relating to their orders, such as tracing shipments, etc.



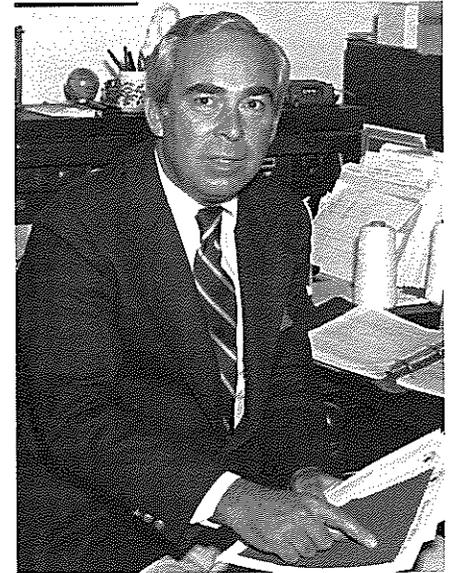
SANDY FARBER handles customer relations and is production coordinator for Carolina Mills' customers. She maintains constant communication with Maiden offices in order to provide customers with prices, delivery dates and the status of their orders.



JOHN WEBER is sales representative for part of the New York area (Brooklyn), New Jersey and upstate New York. He joined the company in 1976.

MICHAEL MORRELL, (photo unavailable) also based in the New York office, has been with the organization less than a year. Mike handles sales in the metropolitan New York area.

Philadelphia Office



ROBERT SMITH works out of his Philadelphia office selling to customers in Pennsylvania, Chicago, Ohio and Wisconsin as well as Canada. Bob has been with Carolina Maiden 15 years.

Rhode Island Office



AUGUST REIS has offices in Tiverton, Rhode Island, and covers the New England territory. He joined the organization in 1976.

Maiden Office



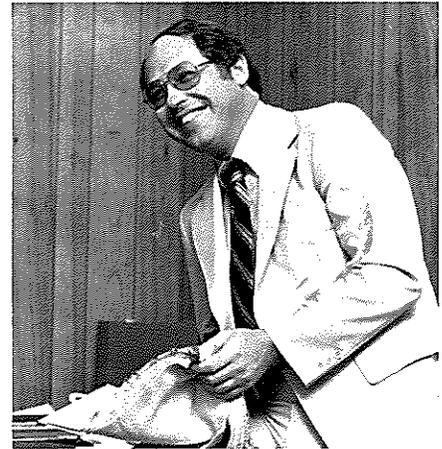
FRANK CLONINGER, Vice President of Carolina Maiden, primarily coordinates sales with outside clients from his Maiden office. Some of these clients are represented exclusively by Carolina Maiden and others are "confined" accounts in which the client assigns a particular customer to the sales organization. Frank also gets involved in Carolina Mills products, having 31 years experience with the company.



JOANN BOLICK handles all inquiries coming through the Maiden office from customers, salesmen and the New York office. She specifically deals with outside mills, has additional secretarial duties and books some orders.



MICHAEL GROCE handles eastern North and South Carolina and Virginia. He began working with Carolina Mills in 1968 and was later transferred to Carolina Maiden as a sales representative. Mike operates out of the Maiden offices.



CHARLES HARPER'S customers are in western North and South Carolina. He also has offices in Maiden. Charlie has been selling for Carolina Maiden since 1974.



PEYTON WARREN has a whole range of territory including Georgia, Tennessee, Kentucky, Florida and into Mississippi. Peyton, who joined Carolina Maiden two years ago, has offices in Duluth, Georgia.

Statement of Condition

CAROLINA MILLS, INC.
And Wholly Owned Subsidiaries

Assets	September 29, 1979	September 30, 1978
Current Assets:		
Cash	\$ 2,009,485	\$ 5,009,101
Notes Receivable	73,980	168,736
Accounts Receivable, Less allowance of \$271,000 for 1979; \$256,000 for 1978	10,001,289	8,399,459
Inventories	8,215,822	7,752,201
Temporary Investments	896,077	904,077
Prepaid Expenses	262,500	162,463
Overpayment of Federal Income Taxes	558,138	-0-
Total Current Assets	<u>\$22,017,291</u>	<u>\$22,396,037</u>
Investments at Cost	14,400	14,400
Property, Plant and Equipment—at Cost		
Land	129,488	129,488
Buildings and Equipment	<u>32,629,595</u>	<u>29,481,633</u>
Total	<u>\$32,759,083</u>	<u>\$29,611,121</u>
Less Accumulated Depreciation	<u>17,768,578</u>	<u>16,062,904</u>
Depreciated Cost	<u>\$14,990,505</u>	<u>\$13,548,217</u>
Leased Property Under Capital Leases, Less Accumulated Amortization	<u>1,113,580</u>	<u>1,439,474</u>
Total	<u>\$16,104,085</u>	<u>\$14,987,691</u>
Other Assets:		
Other Notes and Accounts Receivables	\$ 2,888	\$ 848
Deposits	425	425
Deferred Loan Expenses and Other	<u>4,247</u>	<u>5,472</u>
Total	<u>\$ 7,560</u>	<u>\$ 6,745</u>
Total Assets	<u>\$38,143,336</u>	<u>\$37,404,873</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Notes Payable:		
Occidental Life Insurance—Current	\$ 269,231	\$ 269,231
Banks	3,000,000	800,000
Obligations Under Capital Leases—Current	325,896	311,246
Accounts Payable	5,314,409	5,220,485
Accrued Accounts	3,158,407	3,231,574
Federal and State Income Taxes	<u>255,535</u>	<u>1,443,083</u>
Total Current Liabilities	<u>\$12,323,478</u>	<u>\$11,275,619</u>
Deferred and Long Term Liabilities	<u>1,085,641</u>	<u>4,216,690</u>
Total Liabilities	<u>\$13,409,119</u>	<u>\$15,492,309</u>
Stockholders' Equity:		
Capital Stock—Common		
Authorized 5,000,000 Shares—\$1.00 Par		
Issued and Outstanding 3,399,046 in 1979 and 3,417,619 in 1978	\$ 3,399,046	\$ 3,417,619
Capital Surplus	2,611,330	2,692,649
Retained Earnings	<u>18,723,841</u>	<u>15,802,296</u>
Total Stockholders' Equity	<u>\$24,734,217</u>	<u>\$21,912,564</u>
Totals	<u>\$38,143,336</u>	<u>\$37,404,873</u>

Condensed Statement of Changes in Financial Position

CAROLINA MILLS, INC.
And Wholly Owned Subsidiaries

Sources of Working Capital	Fiscal Year Ended	
	September 29, 1979	September 30, 1978
Earnings for the Year	\$ 4,285,385	\$4,519,104
Depreciation and Amortization	3,134,477	2,664,032
Working Capital Provided from Operations	\$ 7,419,862	\$7,183,136
Book Value of Fixed Assets Disposed	40,459	75,057
Sale of Common Stock	9,964	214,200
Sale of Treasury Stock	-0-	9,375
Increase in Deferred Federal Income Taxes	28,726	-0-
Decrease in Other Assets	-0-	860
Total	\$ 7,499,011	\$7,482,628

Disposition of Working Capital

Acquisition of Plant and Equipment	\$ 4,290,105	\$3,357,538
Cash Dividends Paid	1,363,840	1,158,826
Purchase and Retirement of Treasury Stock	109,856	14,395
Increase in Other Assets	2,040	-0-
Decrease in Long-Term Debt	3,159,775	2,627,501
Total	\$ 8,925,616	\$7,158,260
Increase (Decrease) in Working Capital	(1,426,605)	324,368
	\$ 7,499,011	\$7,482,628

Changes in Components of Working Capital

Increase or (Decrease) in Current Assets:		
Cash	\$(2,999,616)	\$1,626,214
Notes and Accounts Receivable	1,507,074	(790,472)
Inventories	463,621	111,986
Temporary Investments	(8,000)	904,077
Deferred Charges	100,037	(50,187)
Overpayment Federal Income Taxes	558,138	-0-
	\$ (378,746)	\$1,801,618
Increase or (Decrease) in Current Liabilities:		
Notes Payable	\$ 2,200,000	\$ (700,000)
Obligations Under Capital Leases	14,650	(313,287)
Accounts Payable	93,924	1,650,203
Accrued Accounts	(1,260,715)	840,334
	\$ 1,047,859	\$1,477,250
Increase (Decrease) in Working Capital	\$(1,426,605)	\$ 324,368

Statement of Earnings and Retained Earnings

CAROLINA MILLS, INC.
And Wholly Owned Subsidiaries

	Fiscal Year Ended	
	September 29, 1979	September 30, 1978
Year Ended September 29, 1979		
With Comparative Figures for 1978		
Statement of Earnings:		
Net Sales	\$80,925,750	\$82,470,935
Cost of Sales	<u>72,048,935</u>	<u>71,728,658</u>
	\$ 8,876,815	\$10,742,277
Other Income (Deduction) Net	<u>(1,262,682)</u>	<u>(2,255,711)</u>
Net Income Before Taxes	\$ 7,614,133	\$ 8,486,566
Provision For Income Taxes	<u>3,328,748</u>	<u>3,967,462</u>
Net Earnings	\$ 4,285,385	\$ 4,519,104
Retained Earnings at Beginning of Year	<u>15,802,296</u>	<u>12,442,018</u>
	\$20,087,681	\$16,961,122
Dividends Paid	<u>1,363,840</u>	<u>1,158,826</u>
Retained Earnings at End of Year	\$18,723,841	\$15,802,296
Net Earnings Per Share	\$ 1.26	\$ 1.32

Notes to Financial Statements

CAROLINA MILLS, INC.
And Wholly Owned Subsidiary Corporations
Maiden, N.C.

September 29, 1979

Note A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

All subsidiaries of the Company are wholly owned and are included in the consolidated financial statements. At September 29, 1979, the consolidation includes the parent Company, Carolina Maiden Corporation, and the Carolina Mills Domestic International Sales Corporation.

2. Accounts Receivable

Accounts are charged to income when considered uncollectible by the management. In addition, a reasonable reserve for doubtful accounts is carried on the books, for which no tax benefit has been realized by the Company.

3. Inventories

Inventories, stated at lower of cost or market, with cost determined by the last-in, first-out (LIFO), first-in, first-out (FIFO) or average cost method, are summarized below. The Company adopted the LIFO cost method for the year ended September 30, 1974.

Finished Products:	
LIFO Cost	\$1,881,409
FIFO Cost	320,906
Average Cost	1,429,843
Work-In-Process:	
LIFO Cost	754,894
FIFO Cost	390,380
Average Cost	272,857
Raw Materials & Supplies:	
LIFO Cost	2,813,010
FIFO Cost	352,523
	<u>\$8,215,822</u>

4. Depreciation

Depreciation is provided principally under sum-of-the-years-digits and straight-line methods by charges to income in amounts sufficient to write off the cost of depreciable assets over the estimated useful lives of the various classes of property and equipment. Depreciation is computed using the accelerated method for both the financial statements and income tax returns.

5. Income Taxes

The company with its subsidiary, Carolina Maiden Corporation, filed a consolidated Federal income tax return. A Domestic International Sales Corporation (DISC) is Wholly Owned, however, it is not included in the consolidated return in accordance with The Provisions of The Internal Revenue Code. Investment tax credits are accounted for by the flow-through method, and accordingly, the provision for income taxes is reduced in the year the credit arises.

Note B. INVENTORIES—\$8,215,822

The Company uses the last-in, first-out (LIFO) method of inventory valuation for raw material fibers. Accordingly, the financial statements for the fifty-two week period ended September 29, 1979 reflect the LIFO method of valuation. Raw materials so priced include cotton and man-made synthetic fibers such as rayon, polyester and acrylics. Stock-in-process and finished goods are priced using the LIFO method for valuation of raw material component and average standard cost for labor and factory burden. The inventories are valued lower by \$1,756,332 for 1979, and \$1,134,755 for 1978, than they would have been had the first-in, first-out method of pricing been employed.

Finished Yarn and Cloth	\$3,632,158
Stock-In-Process	1,418,131
Raw Materials	2,813,010
Supplies and Chemicals	352,523
	<u>\$8,215,822</u>

**Note C. LONG-TERM DEBT OTHER THAN CAPITAL
LEASE OBLIGATIONS—\$538,462**

Occidental Life Insurance Co.—\$538,462

A fifteen year long-term loan agreement with Occidental Life Insurance Company of California, Los Angeles, California was entered into on June 27, 1966. The loan in the amount of \$3,500,000 was dated August 1, 1966, with interest payable at 6½% per annum. The loan specifies quarterly payments of principal in the amount of \$67,307.69 beginning November 1, 1968, with the last payment to be made on August 1, 1981. Restrictive covenants of the loan agreement were fully complied with for the year ended September 29, 1979. Unpaid balance of the loan at September 29, 1979 was \$538,462.

Note D. CAPITAL LEASES

Noncancelable leases have been determined to be capital leases and have been capitalized as of October 2, 1976. A financing lease is defined as a lease which, during the noncancelable lease period, either covers 75% or more of the estimated economic life of the leased property or has terms which assure the lessor a full recovery of the fair market value of the property plus a reasonable return on the investment.

The following is an analysis of the leased property under capital lease by major classes:

	Asset Balance At	
	September 29, 1979	September 30, 1978
Classes of Property		
Manufacturing Textile		
Machinery and Equipment	\$2,513,474	\$2,513,474
Less Accumulated		
Amortization	<u>1,399,894</u>	<u>1,074,000</u>
	<u>\$1,113,580</u>	<u>\$1,439,474</u>

The following is a schedule by years of future minimum lease payments under capital leases:

1980	\$386,871
1981	386,871
1982	352,319
1983	76,578

Note E. INCOME TAXES

Income tax returns have been examined and settled by the Internal Revenue Service for the fiscal year ended September 30, 1976. All adjustments arising from the Federal examination have been reflected in the financial statements at September 29, 1979.

The provision for Federal income tax has been reduced in the amount of \$399,938 as a result of the flow-through method of accounting for the investment tax credit. For the year ended September 30, 1978, the credit amounted to \$309,442, and was accorded the same accounting treatment.

Note F. PENSION PLAN

The Company and its subsidiary have a pension plan covering all employees with five (5) years service. The plan is self-administered with an independent trustee and an independent actuary. The Company's accounting and funding policy is to fund the current years cost as computed by the independent actuary. In addition to the current years pension cost, the Company pays an interest factor of 3¹/₂ percent on the past service cost. For the fiscal year ended September 29, 1979, the pension plan expense amounted to \$280,000. The past service cost, which had not been funded amounted to approximately \$1,058,146 at October 1, 1978, according to the most recent actuarial computation available.

Note G. CONTINGENCIES AND COMMITMENTS

The Company has entered into contractual purchase commitments for the acquisition of machinery and equipment in the approximate amount of \$942,000 at September 29, 1979.

Accountant's Opinion

In our opinion, the accompanying consolidated balance sheet and consolidated statement of earnings, retained earnings and changes in financial position, including notes, present fairly the financial position of Carolina Mills, Inc. and its Wholly Owned Subsidiaries, Maiden, N.C., at September 29, 1979, and the results of its operations for the year (fifty-two weeks) then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Very truly yours,

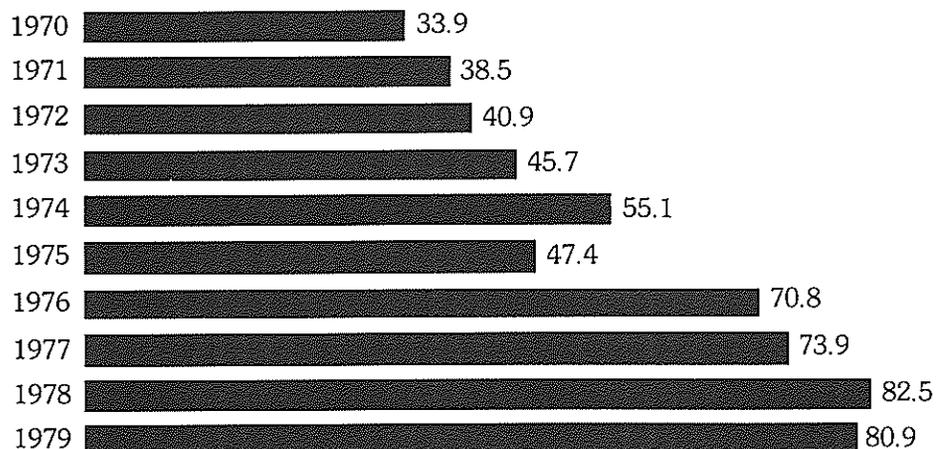
Owen H. Whitfield
Certified Public Accountant

Charlotte, North Carolina
November 2, 1979

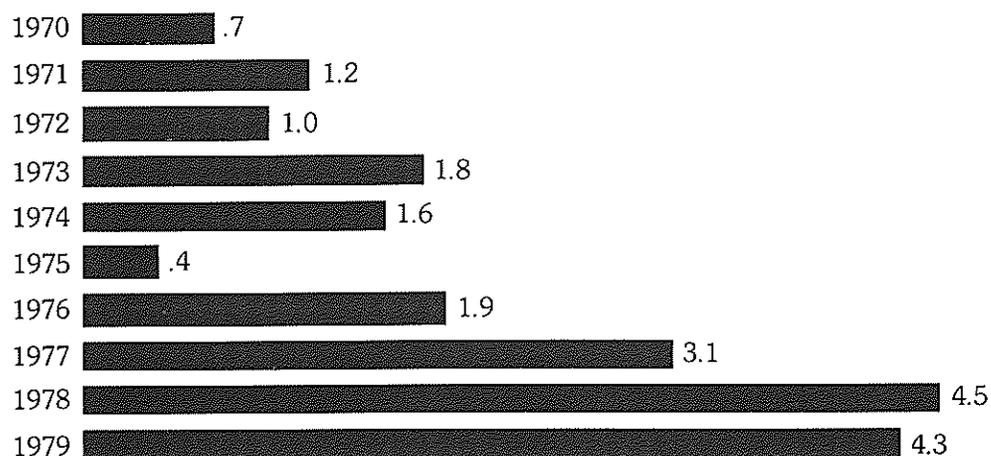
	1979	1978	1977
Net Sales	\$80,925,750	\$82,470,935	\$73,921,334
Net Earnings Before Income Taxes	\$ 7,614,133	\$ 8,486,566	5,812,349
Income Taxes	3,328,748	3,967,462	2,682,130
Net Earnings	<u>4,285,385</u>	<u>4,519,104</u>	<u>3,130,219</u>
Dividends Paid	\$ 1,363,840	\$ 1,158,826	874,487
Earnings Retained in Business	18,723,841	15,802,296	12,442,018
Working Capital	<u>9,693,813</u>	<u>11,120,418</u>	<u>10,796,050</u>
Plant and Equipment—Less Depreciation	\$16,104,085	\$14,987,691	14,368,017
Stockholders' Equity	<u>24,734,217</u>	<u>21,912,564</u>	<u>18,343,106</u>
Shares of Stock Outstanding	3,399,046	3,417,619	3,363,412
Book Value Per Share	\$ 7.28	\$ 6.41	\$ 5.46
Per Share of Stock			
Net Earnings	\$1.26	1.32	93.14c
Dividends—Cash	\$.40	.34	26.00c
Cash Flow	\$2.18	2.10	166.67c

NET SALES

Figures shown are in millions of dollars

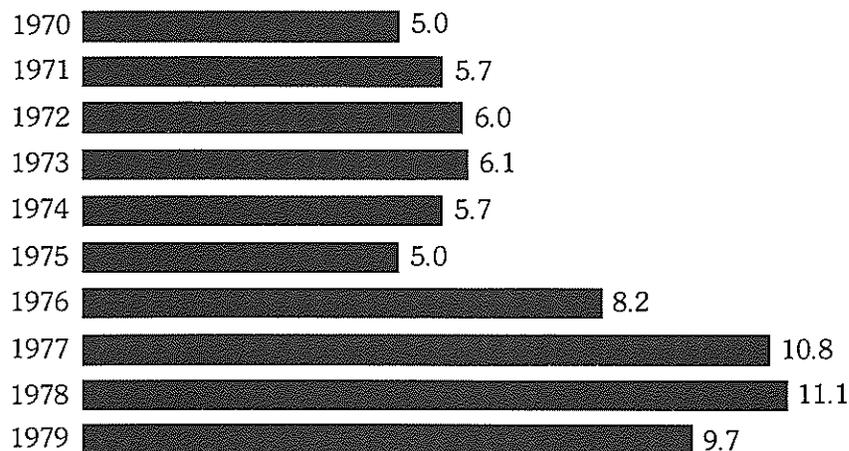


NET EARNINGS

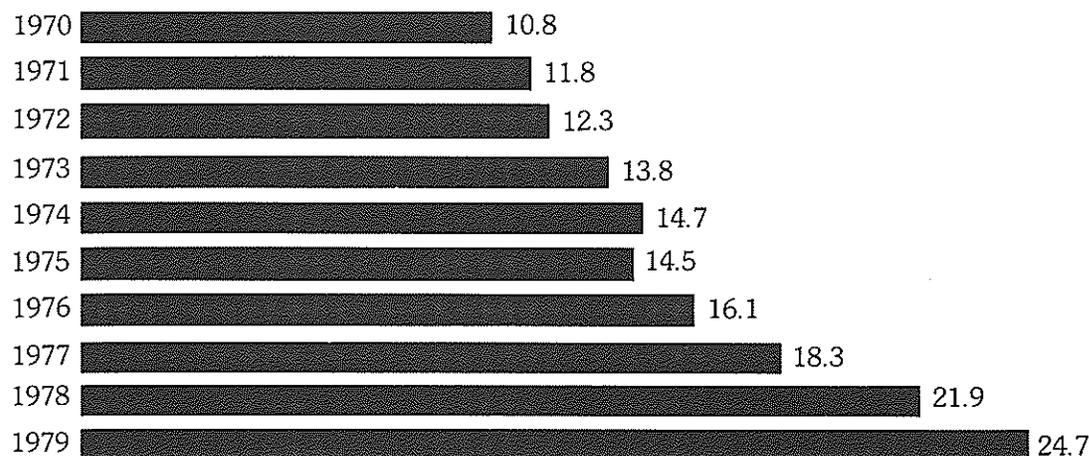


1976	1975	1974	1973	1972	1971	1970
\$70,817,799	\$47,418,609	\$55,125,721	\$45,674,963	\$40,868,715	\$38,493,631	\$33,907,075
3,099,159	336,161	3,029,465	3,241,971	1,764,166	1,808,146	1,573,041
1,165,983	(14,350)	1,455,689	1,408,298	719,982	606,770	829,898
1,933,176	350,511	1,573,776	1,833,673	1,044,184	1,201,376	743,143
370,416	404,301	674,377	539,745	539,735	269,867	303,601
10,140,272	8,589,889	8,731,854	7,816,106	6,373,709	5,837,202	4,905,693
8,233,344	5,048,195	5,664,481	6,127,717	5,980,797	5,718,779	4,978,233
15,908,635	10,799,336	10,667,995	10,356,173	9,678,184	8,507,426	8,589,703
16,050,735	14,516,195	14,658,510	13,758,106	12,315,383	11,778,877	10,847,368
3,363,412	3,369,173	3,373,544	3,373,444	3,373,344	3,373,344	3,373,344
\$ 4.77	\$ 4.30	\$ 4.35	\$ 4.08	\$ 3.65	\$ 3.49	\$ 3.21
57.48¢	10.40¢	46.68¢	54.36¢	30.95¢	35.6¢	22.0¢
11.00¢	12.00¢	20.00¢	16.00¢	16.00¢	8.0¢	9.0¢
116.85¢	68.84¢	101.52¢	105.37¢	76.58¢	76.1¢	61.6¢

WORKING CAPITAL



STOCKHOLDERS' EQUITY



Corporate Information

OFFICERS



Edward P. Schrum — Age 52

President, Assistant Treasurer & Chief Executive Officer

Joined Carolina Mills in 1951 at plant #3, later was transferred to Huntersville operations. Subsequently came to administrative offices in Maiden to Cost and Standards Department. Was named Vice President in 1959, during which period he was in charge of all manufacturing. Assumed status as President and Chief Executive Officer in 1977. 28 years service.



Thomas P. Pruitt, Jr., Age 57

Vice President—Weaving Operations

Began working with Carolina Mills in 1952 as General Overseer of Preparation and Weaving of canton flannel in plant #3. Elected to Board of Directors in 1952. Was in charge of Central Lab, Quality Control and Standards Department when elected Vice President of Carolina Mills in 1958. Began handling canton flannel sales in 1960; was named Manager of Woven Fabrics Division in 1972. 27 years service.



Jerry G. Harbinson, Age 52

Vice President—Administration and Assistant Secretary

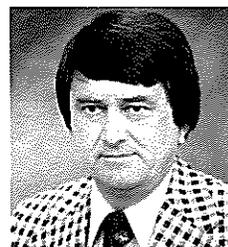
Hired in 1945 as production clerk at plant #3. After military service in 1947 returned to enter training program in Cost Department, becoming Manager in 1955. Was placed in charge of Cost, Industrial Engineering and Quality Control in 1960, and assigned to develop management information system and computer installation during the period 1965-1968. Promoted to Assistant to Vice President of Manufacturing in 1968; elected as Assistant Vice President in 1972, then to present position in 1976. 34 years service.



George A. Moretz, Age 37

Vice President—Sales Yarn Operations

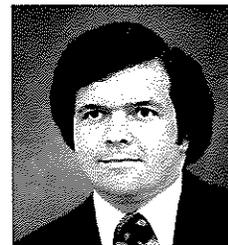
Began working with Carolina Mills in 1959 while a student during summers. Was hired full-time in 1964 in Production Planning Department. Moved to New Product Development and Customer Service in 1965, becoming Sales Manager of the Yarn Division in 1969. Assumed present position in 1972, and named to Board of Directors in 1976. 15 years service.



Kenneth C. Isaac, Age 52

Vice President—Knit Finishing Operations

Came to Carolina Mills from Burlington in 1953. Worked in Cost and Standards Department until 1958 at which time he became Manager of the knit finishing plant (plant #4). In 1971 was named President of Knit Fabric Division which included previously owned MoBill Textiles, plant #15 (warp knitting) and their sales agency, Knits by Carolina. Was elected to present position in 1975. 26 years service.



Stephen G. Dobbins, Age 33

Vice President—Sales Yarn Manufacturing

Joined Carolina Mills in 1971 as Manager of plant #15 to establish the warp knitting operation. In 1975 was named Vice President of Knit Fabric Division. Elected to present position in 1977, from which he directs manufacturing operations of six yarn plants. 8 years service.



J.L. Thompson, Jr., Age 61

Secretary and Treasurer

Became associated with Carolina Mills in 1958 when Glenn Mills, Inc. was acquired through merger. As a CPA, was placed in the Accounting Department, becoming financial officer in the early 1960s. Was named Secretary and Assistant Treasurer in 1975; elected to present position in 1977. 25 years service.

Corporate Information

DIRECTORS:

***Julius W. Abernethy, Jr.**
President, Carolina Glove Company
Newton, N. C.

Julius W. Abernethy, III
Sales Administration, Carolina Glove
Newton, N. C.

***Claude S. Abernethy, Jr.**
Vice-President, Interstate Securities Corporation
Newton, N. C.

Dan Mark Boyd, III
President, Times Oil Corporation
Lincolnton, N. C.

***Hurshell H. Keener**
President, Impact Furniture Company
Hickory, N. C.

George A. Moretz
Vice President, Carolina Mills, Inc.
Maiden, N. C.

Joseph A. Moretz
Secretary-Treasurer,
Maxwell-Royal Chair Company
Hickory, N. C.

***Thomas P. Pruitt, Jr.**
Vice President, Carolina Mills, Inc.
Maiden, N. C.

Robert A. Ragan
Vice-President, NCNB
Charlotte, N. C.

***Edward P. Schrum**
President, Carolina Mills, Inc.
Maiden, N. C.

Charles Long Sigmon
President,
First National Bank of Catawba County
Hickory, N. C.

J. L. Thompson, Jr.
Secretary-Treasurer,
Carolina Mills, Inc.
Maiden, N. C.

*Members of Executive Committee

DIRECTORS EMERITI:

Joseph L. Barnett
Retired Textile Executive
Gastonia, N. C.

Caldwell Ragan, Sr.
Retired Textile Executive
Gastonia, N. C.

CAROLINA MILLS, INC.

PLANT LOCATIONS

Maiden, North Carolina

General Administrative Offices
Computer Center
Central Warehouse for finished goods
and raw materials
Trucking Department
Laboratory
Plant No. 1 (Julius W. Abernethy
Plant) **Jim Bean**, Plant Manager,
Spun yarns from man-made fibers
Plant No. 8—**J. V. Randall**, Plant
Manager
Open-end spun yarns for knitting

Statesville, North Carolina

Plant No. 12—**J. C. Bridgeman**, Plant
Manager
Fine count spun polyester yarns.

Newton, North Carolina

Plant No. 2—**Kermit Goodson**, Plant
Manager
Coarse open-end spun yarns
Plant No. 3—**Jim Harwell**, Plant
Manager
Woven canton flannel for work glove
industry
Plant No. 4—**Robert Bristow**, Plant
Manager
Commission finishing of tubular knit
goods

Hickory, North Carolina

Plant No. 14—**Ernest Whitener**, Plant
Manager
Woven upholstery fabrics

Lincolnton, North Carolina

Plant No. 5 **Fred Hoffman**, Plant
Manager
Spun yarns for the knitting trade
Plant No. 6—**Fred Hoffman**, Plant
Manager
Spun polyester blend yarns

Subsidiary—(Wholly owned)

Carolina Maiden Corporation, Maiden,
N. C. and New York, N. Y.
Edward L. Strauss, President
Yarn sales agency

Subsidiary—(Wholly Owned)

Carolina Mills Domestic International
Sales Corporation (DISC)
Maiden, N. C.

CORPORATE ADDRESS

Carolina Mills, Inc.
618 Carolina Avenue
Maiden, North Carolina 28650
P. O. Box 157
Telephone (704) 428-9911