

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) August 31, 2009

Culp, Inc.

(Exact Name of Registrant as Specified in its Charter)

North Carolina

(State or Other Jurisdiction
of Incorporation)

0-12781

(Commission File Number)

56-1001967

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

1823 Eastchester Drive
High Point, North Carolina 27265

(Address of Principal Executive Offices)
(Zip Code)

(336) 889-5161

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former name or address, if changed from last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Forward Looking Information. This report and the exhibits hereto contain statements that may be deemed “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward-looking statements are intended to speak only as of the date on which they are made. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “estimate,” “plan” and “project” and their derivatives, and include but are not limited to statements about the company’s future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the company’s business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the Company adversely. Changes in consumer tastes or preferences toward products not produced by the Company could erode demand for the Company’s products. Strengthening of the U.S. dollar against other currencies could make the Company’s products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on the Company’s sales in the U.S. of products produced in those countries. Also, economic and political instability in international areas could affect the company’s operations or sources of goods in those areas, as well as demand for the company’s products in international markets. Finally, unanticipated delays or costs in executing restructuring actions could cause the cumulative effect of restructuring actions to fail to meet the objectives set forth by management. Other factors that could affect the matters discussed in forward-looking statements are included in the company’s periodic reports filed with the Securities and Exchange Commission, including the “Risk Factors” section in the company’s most recent annual report of Form 10-K filed with the Securities and Exchange Commission on July 16, 2009 for the fiscal year ended May 3, 2009.

Item 2.02 – Results of Operations and Financial Condition

On August 31, 2009, the Company issued a news release to announce its financial results for the first quarter ended August 2, 2009. The news release is attached hereto as Exhibit 99(a).

Also on August 31, 2009, the Company released a Financial Information Release containing additional financial information and disclosures about the Company’s first quarter ended August 2, 2009. The Financial Information Release is attached hereto as Exhibit 99(b).

The news release and Financial Information Release contain disclosures about free cash flow, a non-GAAP liquidity measure that the Company defines as net cash provided by operating activities, less cash capital expenditures and capital lease expenditures, plus any proceeds from sales of fixed assets, and plus any excess tax benefits related to stock options exercised. Management believes the disclosure of free cash flow provides useful information to investors because it measures our available cash flow for potential debt repayment, stock repurchases and additions to cash and cash equivalents. We note, however, that not all of the Company’s free cash flow is available for discretionary spending, as we have mandatory debt payments and other cash requirements that must be deducted from our cash available for future use. In operating our business, management uses free cash flow to make decisions about what commitments of cash to make for operations, such as capital expenditures (and financing arrangements for these expenditures), purchases of inventory or supplies, SG&A expenditure levels, compensation, and other commitments of cash, while still allowing for adequate cash to meet known future commitments for cash, such as debt repayment. Also, free cash flow is used by the Company as a financial goal for purposes of determining management incentive bonuses.

The news release and Financial Information Release contain adjusted income statement information, which reconciles reported and projected income statement information with adjusted results, on a pre-tax basis, which exclude restructuring and related charges. This information constitutes a non-GAAP performance measure. The Company has included this adjusted information in order to show operational performance excluding the effects of restructuring and related charges that occur on an irregular basis. We have presented pre-tax results because the Company's income tax provisions and percentages have been volatile and unpredictable in recent periods. Management believes these presentations aid in the comparison of financial results among comparable financial periods. We note, however, that the usefulness of earnings before income taxes and excluding restructuring and related charges is limited in that these performance measures do not necessarily indicate the likely future financial results of the Company and that the excluded income tax and restructuring charges can and do relate to liabilities or charges that reflect reductions in income, future expenditures, or lower values for our assets and business. Adjusted income statement information is used by management to make operational decisions about our business and to evaluate the financial success of the Company or its individual segments, especially when comparing results among various periods, is used in certain financial covenants in our loan agreements, and is used by the Company as financial goals for purposes of determining management incentive bonuses.

Item 9.01 (d) -- Exhibits

99(a) News Release dated August 31, 2009

99(b) Financial Information Release dated August 31, 2009

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 hereunto duly authorized.

CULP, INC.
(Registrant)

By: /s/ Kenneth R. Bowling
Chief Financial Officer
(principal financial officer)

By: /s/ Thomas B. Gallagher, Jr.
Corporate Controller
(principal accounting officer)

Dated: August 31, 2009

EXHIBIT INDEX

Exhibit Number

Exhibit

99(a)

News Release dated August 31, 2009

99(b)

Financial Information Release dated August 31, 2009

Culp Announces Results for First Quarter Fiscal 2010

HIGH POINT, N.C.--(BUSINESS WIRE)--August 31, 2009--Culp, Inc. (NYSE: CFI) today reported financial and operating results for the first quarter ended August 2, 2009.

Highlights for the first quarter of fiscal 2010 include the following:

- Net sales were \$45.5 million, 23 percent lower than the first quarter of the last year, with mattress fabrics segment sales down 26 percent and upholstery fabric segment sales down 19 percent, in line with expectations. The first quarter of fiscal 2010 had a total of 13 weeks compared with 14 weeks for the first quarter of fiscal 2009.
 - Pre-tax income was \$2.0 million, or 4.4 percent of sales, compared with \$1.2 million, or 2.0 percent of sales in the prior year period, an increase of 65 percent.
 - Net income was \$1.9 million, or \$0.15 per diluted share, compared with net income of \$781,000, or \$0.06 per diluted share, for the first quarter of fiscal 2009.
 - The mattress fabrics business achieved continued solid profitability, with operating income of \$3.0 million in the first quarter and operating margins only slightly below the first quarter of last year, in spite of unprecedented weak consumer demand in the bedding industry.
 - The upholstery fabrics business showed a significant turnaround for the first quarter, with operating income of \$764,000, or four percent of sales, reversing an operating loss of \$1.4 million in the first quarter of the prior year. This performance was in the face of continued challenging furniture industry conditions.
 - Cash flow from operations was \$4.6 million for the first quarter. This quarter's performance is due to consistent profitability in mattress fabrics, the profit turnaround in upholstery fabrics and continued outstanding working capital management in both segments. Key measures for working capital, such as days' sales in receivables and inventory turnover, continued to improve, even with lower sales volume.
 - The company's financial position continued to strengthen significantly during the first quarter, with an ending cash balance of \$15.5 million and total debt of \$16.4 million. Total debt, which includes current maturities of long term debt and long term debt, less cash (net debt) was \$0.9 million, compared with \$4.6 million at the end of fiscal 2009. The company is close to a positive net debt position for the first time in over thirty years.
 - The second quarter projection for fiscal 2010 is for overall sales to decrease in the range of five percent, the lowest year-over-year decline since the third quarter of fiscal 2008. Pre-tax income for the second quarter of fiscal 2010 is expected to be in the range of \$2.0 million to \$2.8 million.
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Overview

The first quarter of fiscal 2010 had a total of 13 weeks compared with 14 weeks for the first quarter of fiscal 2009. For the period ended August 2, 2009, net sales were \$45.5 million, compared with \$59.3 million a year ago. The company reported net income of \$1.9 million, or \$0.15 per diluted share, for the first quarter of fiscal 2010, compared with net income of \$781,000, or \$0.06 per diluted share, for the first quarter of fiscal 2009. On a pre-tax basis, the company reported income of \$2.0 million compared with pre-tax income of \$1.2 million for the first quarter of fiscal 2009. The pre-tax results for the first quarter of fiscal 2010 included restructuring and related credits in the upholstery fabrics segment of \$187,000. The pre-tax results for the first quarter of fiscal 2009 included restructuring and related charges in the upholstery fabrics segment of \$416,000. Excluding these credits/charges in both periods, pre-tax income for the first quarter of fiscal 2010 was \$1.8 million compared with \$1.6 million in the first quarter of fiscal 2009. (A reconciliation of pre-tax income has been set forth on Page 5.)

Commenting on the results, Frank Saxon, president and chief executive officer of Culp, Inc., said, "Our sales for the first quarter of fiscal 2010 are indicative of recent consumer demand trends for bedding and furniture. In spite of the sales decline, we are very pleased with the strong turnaround in profitability for our upholstery fabrics business and continued solid profitability in our mattress fabrics segment. We began fiscal 2010 with a much leaner operating platform than we had a year ago, and we are realizing the benefits of our strategic actions, especially during the economic downturn. Today, Culp has a strong competitive position in both businesses and, as always, our primary focus is on execution for our customers. We have also further strengthened our financial position during the first quarter, providing us with a solid foundation to support our growth strategy as market conditions improve."

Mattress Fabrics Segment

Mattress fabric sales for the first quarter were \$26.3 million, a 26 percent decline compared with \$35.6 million for the first quarter of fiscal 2009. Average sales per week declined by 20 percent when comparing the two quarters, as the first quarter of fiscal 2009 had one more week than the first quarter of this year. Operating income for this segment was \$3.0 million, or 11.2 percent of sales, compared with \$4.2 million, or 11.9 percent of sales, for the prior-year period.

"Our consistent operating performance in mattress fabrics reflects the benefits of the significant investments we have made to improve our manufacturing platform over the last several years," said Saxon. "While the sales environment has remained challenging, we have continued to drive our operating efficiencies, achieve solid profit margins and enhance our competitive position. We see many opportunities to further develop our product offerings and will continue to make capital investments in our manufacturing capabilities during this fiscal year, including improved knit and weaving capacities and finishing enhancements on all product lines, with capital expenditures of approximately \$3.5 million. We are committed to the growth of this important business for Culp, and, with these projects, we believe we are well positioned to leverage any upside in mattress fabrics demand as it occurs. Our customers know they can rely on Culp for outstanding service, reliable delivery performance and consistent quality and value."

Upholstery Fabrics Segment

Sales for this segment, which include both fabric and cut and sewn kits, were \$19.2 million, a 19 percent decline compared with \$23.8 million in the first quarter of fiscal 2009. Average sales per week declined by 13 percent when comparing the two quarters, as the first quarter of fiscal 2009 was one week longer than the first quarter of this year. Sales of non-U.S. produced fabrics were \$16.1 million in the first quarter of fiscal 2010, down seven percent over the prior year period, while sales of U.S. produced fabrics were \$3.1 million, down 52 percent from the first quarter of fiscal 2009. Operating income for the upholstery fabrics segment was \$764,000 for the first quarter of fiscal 2010 compared with an operating loss of \$1.4 million for the same period a year ago.

“We are very encouraged by the dramatic turnaround in profitability for the upholstery fabrics business, reversing the prior year’s first quarter loss,” noted Saxon. “Our sales have clearly been affected by the soft demand for furniture; however, our ability to be profitable and continue to meet the needs of our customers reflects solid execution in a difficult market. Our profit improvement plan completed last year has exceeded our expectations with very favorable results. Notably, our selling, general and administrative costs for the upholstery fabrics segment for the first quarter of fiscal 2010 were 18 percent lower than a year ago. Our strategy to reduce the amount of capital invested in this business and transition to a variable cost model has also significantly enhanced our competitive position. In particular, our China platform is providing us with the unique ability to provide exceptional value through a scalable and low cost operating model which includes a proprietary and vertically-integrated network of key manufacturing partners. Customer response to our products has been very favorable at recent market events. As such, we are focused on product and sales and marketing initiatives that will further benefit our upholstery fabrics business when demand for furniture improves.”

Balance Sheet

“We continue to focus on further strengthening our financial position and generating cash in light of the uncertain business climate,” added Saxon. “Cash flow from operations was \$4.6 million for the first quarter of fiscal 2010. Our balance sheet reflected \$15.5 million in cash as of August 2, 2009, compared with \$11.8 million at the end of fiscal 2009. Total debt, which includes current maturities of long term debt and long term debt, less cash (net debt) was \$0.9 million, compared with \$4.6 million at the end of fiscal 2009. Our scheduled debt repayments for the rest of fiscal 2010 are \$4.8 million and only \$186,000 for fiscal 2011. We also continue to make improvements in our working capital management, especially inventories, which were down by over \$13.1 million, or 38 percent, since the same period a year ago. Day’s sales in receivables and inventory turnover have also steadily improved, even with declining sales. Despite the continued improvement in working capital management achieved thus far in fiscal 2010, the company expects cash flow generated from working capital improvements to be substantially lower than the last two fiscal years.”

Outlook

Commenting on the outlook for the second quarter of fiscal 2010, Saxon remarked, “While we expect that the economic uncertainties and issues surrounding the housing market will continue to affect consumer demand for furniture and bedding products, we are encouraged by indications of a more stable business environment. Overall, we expect our sales for the second quarter of fiscal 2010 to be down in the range of five percent from the second quarter of last year.

“We expect sales in our mattress fabrics segment to approximate the level achieved the same period a year ago. Operating income margin in this segment is expected to be comparable with the same period a year ago.

“In our upholstery fabrics segment, we expect sales to be down approximately 10 to 15 percent for the second quarter. In spite of lower sales, we believe the upholstery fabric segment’s results will again reverse the prior year’s operating losses and reflect a modest operating profit slightly below first quarter of fiscal 2010.

“Considering these factors, the company expects to report pre-tax income for the second fiscal quarter of 2010 in the range of \$2.0 to \$2.8 million. Given the volatility in the income tax area during fiscal 2009 and continuing into fiscal 2010, the income tax expense or benefit and related tax rate for the second quarter of fiscal 2010 are too uncertain to project. This is management’s best estimate at present, recognizing that future financial results are difficult to predict because of severe economic uncertainties and demand challenges facing the upholstery fabrics and mattress fabrics industries,” said Saxon.

In closing, Saxon remarked, “We are optimistic about our prospects for fiscal 2010 as we have the key advantages of a lean and agile manufacturing platform, a strong balance sheet and a leading competitive position in both operating segments. We see many additional opportunities in our mattress fabrics business to refine and expand our product offerings and further enhance our value proposition to customers. With the improvements in both our China platform and U.S. facility, our upholstery fabrics business is now well positioned for profitability. We believe both of our businesses have the ability to capitalize on improved demand as the economy stabilizes and consumer spending resumes. While we acknowledge the challenges that still remain, we are confident in Culp’s ability to execute and we look forward to the year ahead.”

About the Company

Culp, Inc. is one of the world’s largest marketers of mattress fabrics for bedding and upholstery fabrics for furniture. The company’s fabrics are used principally in the production of bedding products and residential and commercial upholstered furniture.

This release contains statements that may be deemed “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward-looking statements are intended to speak only as of the date on which they are made. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “estimate,” “plan” and “project” and their derivatives, and include but are not limited to statements about the company’s future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the company’s business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the company adversely. Changes in consumer tastes or preferences toward products not produced by the company could erode demand for the company’s products. Strengthening of the U.S. dollar against other currencies could make the company’s products less competitive on the basis of price in markets outside the United States and strengthening of currencies in Canada and China can have a negative impact on the company’s sales in the U.S. of products produced in those countries. Also, economic and political instability in international areas could affect the company’s operations or sources of goods in those areas, as well as demand for the company’s products in international markets. Finally, unanticipated delays or costs in executing restructuring actions could cause the cumulative effect of restructuring actions to fail to meet the objectives set forth by management. Other factors that could affect the matters discussed in forward-looking statements are included in the company’s periodic reports filed with the Securities and Exchange Commission, including the “Risk Factors” section in the company’s most recent annual report on Form 10-K filed with the Securities and Exchange Commission on July 16, 2009, for fiscal year ended May 3, 2009.

CULP, INC.
Condensed Financial Highlights
(Unaudited)

	Three Months Ended	
	August 2, 2009	August 3, 2008
Net sales	\$ 45,478,000	\$ 59,321,000
Income before income taxes	\$ 1,991,000	\$ 1,205,000
Net income	\$ 1,876,000	\$ 781,000
Net income per share:		
Basic	\$ 0.15	\$ 0.06
Diluted	\$ 0.15	\$ 0.06
Income before income taxes, excluding restructuring and related credits/charges*	\$ 1,804,000	\$ 1,621,000
Average shares outstanding:		
Basic	12,653,000	12,648,000
Diluted	12,751,000	12,736,000

* Excludes restructuring and related credits of \$187,000 for the first quarter of fiscal 2010. Excludes restructuring and related charges of \$416,000 for the first quarter of fiscal 2009.

CULP, INC.
Reconciliation of Income before Income Taxes as Reported to Adjusted Income
before Income Taxes
(Unaudited)

	Three Months Ended	
	August 2, 2009	August 3, 2008
Income before income taxes, as reported	\$ 1,804,000	\$ 1,621,000
Restructuring and related (credits) charges	(187,000)	416,000
Adjusted income before income taxes	\$ 1,991,000	\$ 1,205,000

CONTACT:

Culp, Inc.

Investor & Media Contact:

Kenneth R. Bowling, 336-881-5630

Chief Financial Officer

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF NET INCOME
FOR THE THREE MONTHS ENDED AUGUST 2, 2009 AND AUGUST 3, 2008

(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts		% Over (Under)	Percent of Sales	
	August 2, 2009	August 3, 2008		August 2, 2009	August 3, 2008
Net sales	\$ 45,478	59,321	(23.3) %	100.0 %	100.0 %
Cost of sales	37,891	51,919	(27.0) %	83.3 %	87.5 %
Gross profit	7,587	7,402	2.5 %	16.7 %	12.5 %
Selling, general and administrative expenses	4,895	5,384	(9.1) %	10.8 %	9.1 %
Restructuring (credit) expense	(158)	402	N.M.	(0.3) %	0.7 %
Income from operations	2,850	1,616	76.4 %	6.3 %	2.7 %
Interest expense	357	431	(17.2) %	0.8 %	0.7 %
Interest income	(12)	(34)	(64.7) %	(0.0) %	(0.1) %
Other expense	514	14	N.M.	1.1 %	0.0 %
Income before income taxes	1,991	1,205	65.2 %	4.4 %	2.0 %
Income taxes*	115	424	(72.9) %	5.8 %	35.2 %
Net income	\$ 1,876	781	140.2 %	4.1 %	1.3 %
Net income per share-basic	\$ 0.15	0.06	150.0 %		
Net income per share-diluted	\$ 0.15	0.06	150.0 %		
Average shares outstanding-basic	12,653	12,648	0.0 %		
Average shares outstanding-diluted	12,751	12,736	0.1 %		

* Percent of sales column for income taxes is calculated as a % of income before income taxes.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
AUGUST 2, 2009, AUGUST 3, 2008 AND MAY 3, 2009
Unaudited
(Amounts in Thousands)

	Amounts		Increase (Decrease)		* May 3, 2009
	August 2, 2009	August 3, 2008	Dollars	Percent	
Current assets					
Cash and cash equivalents	\$ 15,481	6,352	9,129	143.7 %	11,797
Accounts receivable	13,837	20,164	(6,327)	(31.4) %	18,116
Inventories	21,717	34,862	(13,145)	(37.7) %	23,978
Deferred income taxes	52	4,472	(4,420)	(98.8) %	54
Assets held for sale	1,037	5,610	(4,573)	(81.5) %	1,209
Income taxes receivable	396	160	236	147.5 %	210
Other current assets	1,531	1,627	(96)	(5.9) %	1,264
Total current assets	<u>54,051</u>	<u>73,247</u>	<u>(19,196)</u>	<u>(26.2) %</u>	<u>56,628</u>
Property, plant & equipment, net	24,013	33,950	(9,937)	(29.3) %	24,253
Goodwill	11,462	4,114	7,348	178.6 %	11,593
Deferred income taxes	-	29,144	(29,144)	(100.0) %	-
Other assets	2,885	2,335	550	23.6 %	2,820
Total assets	<u>\$ 92,411</u>	<u>142,790</u>	<u>(50,379)</u>	<u>(35.3) %</u>	<u>95,294</u>
Current liabilities					
Current maturities of long-term debt	\$ 4,817	7,378	(2,561)	(34.7) %	4,764
Current portion of obligation under a capital lease	452	692	(240)	(34.7) %	626
Accounts payable - trade	13,592	17,249	(3,657)	(21.2) %	17,030
Accounts payable - capital expenditures	725	1,020	(295)	(28.9) %	923
Accrued expenses	5,215	5,534	(319)	(5.8) %	6,504
Accrued restructuring	584	1,495	(911)	(60.9) %	853
Income taxes payable - current	72	33	39	118.2 %	83
Total current liabilities	<u>25,457</u>	<u>33,401</u>	<u>(7,944)</u>	<u>(23.8) %</u>	<u>30,783</u>
Accounts payable - capital expenditures	550	1,275	(725)	(56.9) %	638
Income taxes payable - long-term	3,538	5,069	(1,531)	(30.2) %	3,264
Deferred income taxes	1,072	1,363	(291)	(21.3) %	974
Obligation under capital lease	-	458	(458)	(100.0) %	-
Long-term debt , less current maturities	11,618	13,980	(2,362)	(16.9) %	11,604
Total liabilities	<u>42,235</u>	<u>55,546</u>	<u>(13,311)</u>	<u>(24.0) %</u>	<u>47,263</u>
Shareholders' equity	<u>50,176</u>	<u>87,244</u>	<u>(37,068)</u>	<u>(42.5) %</u>	<u>48,031</u>
Total liabilities and shareholders' equity	<u>\$ 92,411</u>	<u>142,790</u>	<u>(50,379)</u>	<u>(35.3) %</u>	<u>95,294</u>
Shares outstanding	<u>12,848</u>	<u>12,648</u>	<u>200</u>	<u>1.6 %</u>	<u>12,768</u>

* Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED AUGUST 2, 2009 AND AUGUST 3, 2008
Unaudited
(Amounts in Thousands)

	THREE MONTHS ENDED	
	Amounts	
	August 2, 2009	August 3, 2008
Cash flows from operating activities:		
Net income	\$ 1,876	781
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	933	1,258
Amortization of other assets	157	79
Stock-based compensation	208	98
Deferred income taxes	100	90
Restructuring expenses, net of gain on sale of related assets	(112)	-
Changes in assets and liabilities:		
Accounts receivable	4,279	6,909
Inventories	2,261	532
Other current assets	(267)	(299)
Other assets	(15)	(5)
Accounts payable - trade	(3,371)	(3,854)
Accrued expenses	(1,289)	(2,757)
Accrued restructuring	(269)	63
Income taxes	77	428
Net cash provided by operating activities	<u>4,568</u>	<u>3,323</u>
Cash flows from investing activities:		
Capital expenditures	(892)	(986)
Proceeds from the sale of equipment	284	-
Net cash used in investing activities	<u>(608)</u>	<u>(986)</u>
Cash flows from financing activities:		
Payments on vendor-financed capital expenditures	(87)	(599)
Payments on long-term debt	-	(65)
Debt issuance costs	(15)	-
Payments on capital lease obligation	(174)	(235)
Net cash used in financing activities	<u>(276)</u>	<u>(899)</u>
Increase in cash and cash equivalents	3,684	1,438
Cash and cash equivalents at beginning of period	<u>11,797</u>	<u>4,914</u>
Cash and cash equivalents at end of period	<u>\$ 15,481</u>	<u>6,352</u>
Free Cash Flow (1)	<u>\$ 3,699</u>	<u>1,503</u>

(1) Free Cash Flow reconciliation is as follows:

	FY 2010	FY 2009
A) Net cash provided by operating activities	\$ 4,568	3,323
B) Minus: Capital Expenditures	(892)	(986)
C) Add: Proceeds from the sale of buildings and equipment	284	-
D) Minus: Payments on vendor-financed capital expenditures	(87)	(599)
E) Minus: Payments on capital lease obligation	(174)	(235)
	<u>\$ 3,699</u>	<u>1,503</u>

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE THREE MONTHS ENDED AUGUST 2, 2009 AND AUGUST 3, 2008

(Amounts in thousands)

Net Sales by Segment	THREE MONTHS ENDED (UNAUDITED)				
	Amounts		% Over (Under)	Percent of Sales	
	August 2, 2009	August 3, 2008		August 2, 2009	August 3, 2008
Mattress Fabrics	\$ 26,275	35,561	(26.1) %	57.8 %	59.9 %
Upholstery Fabrics	19,203	23,760	(19.2) %	42.2 %	40.1 %
Net Sales	<u>\$ 45,478</u>	<u>59,321</u>	<u>(23.3) %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Gross Profit by Segment			Gross Profit Margin		
Mattress Fabrics	\$ 4,761	6,344	(25.0) %	18.1 %	17.8 %
Upholstery Fabrics	2,797	1,070	161.4 %	14.6 %	4.5 %
Subtotal	7,558	7,414	1.9 %	16.6 %	12.5 %
Restructuring related (credit) charge	29 (1)	(12) (1)	N.M.	0.1 %	(0.0) %
Gross Profit	<u>\$ 7,587</u>	<u>7,402</u>	<u>2.5 %</u>	<u>16.7 %</u>	<u>12.5 %</u>
Sales, General and Administrative expenses by Segment			Percent of Sales		
Mattress Fabrics	\$ 1,809	2,128	(15.0) %	6.9 %	6.0 %
Upholstery Fabrics	2,033	2,484	(18.2) %	10.6 %	10.5 %
Unallocated Corporate expenses	1,053	770	36.8 %	2.3 %	1.3 %
Subtotal	4,895	5,382	(9.0) %	10.8 %	9.1 %
Restructuring related charges	- (1)	2 (1)	(100.0) %	0.0 %	0.0 %
Selling, General and Administrative expenses	<u>\$ 4,895</u>	<u>5,384</u>	<u>(9.1) %</u>	<u>10.8 %</u>	<u>9.1 %</u>
Operating income (loss) by Segment			Operating Income (Loss) Margin		
Mattress Fabrics	\$ 2,952	4,216	(30.0) %	11.2 %	11.9 %
Upholstery Fabrics	764	(1,414)	N.M.	4.0 %	(6.0) %
Unallocated corporate expenses	(1,053)	(770)	(36.8) %	(2.3) %	(1.3) %
Subtotal	2,663	2,032	31.1 %	5.9 %	3.4 %
Restructuring and related (credit) charge	187 (1)	(416) (1)	N.M.	0.4 %	(0.7) %
Operating income	<u>\$ 2,850</u>	<u>1,616</u>	<u>76.4 %</u>	<u>6.3 %</u>	<u>2.7 %</u>
Depreciation Expense by Segment					
Mattress Fabrics	\$ 900	758	18.7 %		
Upholstery Fabrics	33 (2)	500	(93.4) %		
Total depreciation expense	<u>933</u>	<u>1,258</u>	<u>(25.8) %</u>		

Notes:

(1) See page 5 for detailed explanations of restructuring and restructuring related (credits) charges.

(2) Upholstery fabric depreciation expense represents allocation of corporate departments shared by both the mattress and upholstery fabric segments.

CULP, INC.
ADJUSTED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED AUGUST 2, 2009 AND AUGUST 3, 2008
(Amounts in Thousands, Except for Per Share Data)

THREE MONTHS ENDED (UNAUDITED)

	As Reported			August 2, 2009		As Reported			August 3, 2008		Adjusted % Over (Under)	
	August 2, 2009	% of Sales	% of Adjustments Sales	Adjusted Results	% of Sales	August 3, 2008	% of Sales	Adjustments	% of Sales	Adjusted Results		% of Sales
Net sales	\$ 45,478	100.0%	- 0.0%	45,478	100.0%	59,321	100.0%	-	0.0%	59,321	100.0%	-23.3%
Cost of sales	37,891	83.3%	29 0.1% (1)	37,920	83.4%	51,919	87.5%	(12)	0.0% (3)	51,907	87.5%	-26.9%
Gross profit	7,587	16.7%	29 0.1%	7,558	16.6%	7,402	12.5%	(12)	0.0%	7,414	12.5%	1.9%
Selling, general and administrative expenses	4,895	10.8%	- 0.0%	4,895	10.8%	5,384	9.1%	(2)	0.0% (3)	5,382	9.1%	-9.0%
Restructuring (credit) expense	(158)	-0.3%	158 0.3% (2)	-	0.0%	402	0.7%	(402)	-0.7% (4)	-	0.0%	0.0%
Income from operations	2,850	6.3%	187 0.4%	2,663	5.9%	1,616	2.7%	(416)	-0.7%	2,032	3.4%	31.1%
Interest expense	357	0.8%	- 0.0%	357	0.8%	431	0.7%	-	0.0%	431	0.7%	-17.2%
Interest income	(12)	0.0%	- 0.0%	(12)	0.0%	(34)	-0.1%	-	0.0%	(34)	-0.1%	64.7%
Other expense	514	1.1%	- 0.0%	514	1.1%	14	0.0%	-	0.0%	14	0.0%	N.M.
Income before income taxes	1,991	4.4%	187 0.4% (5)	1,804	4.0%	1,205	2.0%	(416)	-0.7% (6)	1,621	2.7%	11.3%

Notes:

- (1) The \$29 restructuring related credit represents a credit of \$50 for inventory markdowns and a charge of \$21 for other operating costs associated with a closed plant facility.
- (2) The \$158 restructuring credit represents a credit of \$112 for sales proceeds received on equipment with no carrying value, a credit of \$78 for lease termination and other exit costs, and a charge of \$32 for employee termination benefits.
- (3) The \$12 represents other operating costs associated with a closed plant facility. The \$2 represents other operating costs associated with a closed plant facility.
- (4) The \$402 represents \$414 for employee termination benefits and a credit of \$12 for lease termination and other exit costs.
- (5) Of this total credit, \$137 and \$50 represent cash and non-cash credits, respectively.
- (6) The \$416 represents a cash charge.