

**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) February 29, 2012

Culp, Inc.

(Exact Name of Registrant as Specified in its Charter)

North Carolina

(State or Other Jurisdiction
of Incorporation)

1-12597

(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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This report and the exhibits attached hereto contain “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, and we disclaim any duty to update such statements. 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 expectations for our future operations, production levels, sales, gross profit margins, operating income, SG&A, or other expenses, earnings, and other performance measures, as well as any statements regarding future economic or industry trends or future developments. 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 our 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 us adversely. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in the value of the U.S. dollar versus other currencies could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada, China, and Europe can have a negative impact on our sales of products produced in those places. Also, economic and political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, are included in Item 1A “Risk Factors” section in our Form 10-K filed with the Securities and Exchange Commission on July 15, 2011 for the fiscal year ended May 1, 2011.

Item 2.02 – Results of Operations and Financial Condition

On February 29, 2012, we issued a news release to announce our financial results for the third quarter ended January 29, 2012. The news release is attached hereto as Exhibit 99(a).

Also on February 29, 2012, we released a Financial Information Release containing additional financial information and disclosures about our third quarter ended January 29, 2012. 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 we define as net cash provided by operating activities, less cash capital expenditures and capital lease expenditures, plus any proceeds from sales of fixed assets, and the effects of exchange rate changes on cash and cash equivalents. Details of these calculations and a reconciliation to information from our GAAP financial statements is set forth in the Financial Information Release. 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.

The news release and Financial Information Release contain disclosures about return on capital, both for the entire company and for individual business segments. We define return on capital as operating income (on an annualized basis if at a point other than the end of the fiscal year) divided by average capital employed. Operating income excludes restructuring and related charges, and average capital employed is calculated over rolling two – five fiscal periods, depending on which quarter is being presented. Details of these calculations and a reconciliation to information from our GAAP financial statements is set forth in the Financial Information Release. We believe return on capital is an accepted measure of earnings efficiency in relation to capital employed, but it is a non-GAAP performance measure that is not defined or calculated in the same manner by all companies. This measure should not be considered in isolation or as an alternative to net income or other performance measures, but we believe it provides useful information to investors by comparing the operating income we produce to the asset base used to generate that income. Also, annualized operating income does not necessarily indicate results that would be expected for the full fiscal year. We note that, particularly for return on capital measured at the segment level, not all assets and expenses are allocated to our operating segments, and there are assets and expenses at the corporate (unallocated) level that may provide support to a segment’s operations and yet are not included in the assets and expenses used to calculate that segment’s return on capital. Thus, the average return on capital for the company’s segments will generally be different from the company’s overall return on capital. Management uses return on capital to evaluate the company’s earnings efficiency and the relative performance of its segments.

The news release and Financial Information Release contain disclosures about our consolidated adjusted effective income tax rate, which is a non-GAAP liquidity measure that represents our accrued cash expenditures for income taxes. The consolidated adjusted effective income tax rate is calculated by eliminating the non-cash items that affect our GAAP income tax expense, including adjustments to valuation allowances for deferred tax assets, reductions in income taxes due to net operating loss (NOL) carry forwards, and non-cash foreign income tax expenses. Currently we do not pay income taxes in the U.S. due to NOL carryforward amounts, and thus the consolidated adjusted effective income tax rate represents income tax expense for our subsidiaries located in China, Canada and Europe. A reconciliation of our consolidated adjusted effective income tax rate to our consolidated effective GAAP income tax rate is set forth in the Financial Information Release. We believe this information is useful to investors because it demonstrates the amount of cash, as a percentage of income before income taxes, expected to be required to fund our income tax liabilities incurred for the periods reported. Our consolidated income tax expense on a GAAP basis can vary widely over different reporting periods due to the effects of non-cash items, and we believe the calculation of our consolidated adjusted effective tax rate is helpful in comparing financial reporting periods and the amount of income tax liability that we are or will be required to pay to taxing authorities in cash. We note, however, that both our GAAP and adjusted income tax rates are based on annualized amounts and estimates, which do not necessarily indicate results that could be expected for the full fiscal year. In addition, non-cash reductions in our U.S. NOL carryforwards are based on pre-tax losses in prior periods and will not be available to reduce taxes on current earnings once the NOL carryforward amounts are utilized. Management uses the consolidated adjusted effective income rate to analyze the effect that income tax expenditures are likely to have on cash balances and overall liquidity.

Item 9.01 (d) -- Exhibits

99(a) News Release dated February 29, 2012

99(b) Financial Information Release dated February 29, 2012

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: February 29, 2012

EXHIBIT INDEX

Exhibit Number

Exhibit

99(a)

News Release dated February 29, 2012

99(b)

Financial Information Release dated February 29, 2012



Investor Contact: Kenneth R. Bowling
Chief Financial Officer
336-881-5630

Media Contact: Teresa A. Huffman
Vice President of Human Resources
336-889-5161

CULP ANNOUNCES RESULTS FOR THIRD QUARTER FISCAL 2012

HIGH POINT, N.C. (February 29, 2012) — Culp, Inc. (NYSE: CFI) today reported financial and operating results for the third quarter of fiscal 2012 ended January 29, 2012.

Highlights for the third quarter include the following:

- § Net sales were \$60.5 million, a 17 percent increase compared with the third quarter of fiscal 2011, with mattress fabrics segment sales up 24 percent and upholstery fabric segment sales up nine percent over the same period a year ago.
- § Pre-tax income was \$2.9 million, or 4.8 percent of sales, compared with \$2.9 million, or 5.6 percent of sales, in the prior year period.
- § Net income was \$1.8 million, or \$0.14 per diluted share, compared with net income of \$2.4 million, or \$0.18 per diluted share, for the third quarter of fiscal 2011.
- § As of February 27, 2012, the company has repurchased 624,459 shares of Culp common stock for approximately \$5.4 million, or 4.7 percent of shares outstanding at the beginning of its share repurchase program announced in June 2011.
- § The company's financial position remained strong, with cash and cash equivalents and short term investments of \$23.6 million and total debt of \$10.1 million as of January 29, 2012, even with stock repurchases of \$5.4 million, capital expenditures of \$3.7 million and debt repayments of \$2.4 million during this fiscal year.

Fiscal 2012 Year to Date Highlights

- § Year to date sales were \$178.7 million, up 14 percent from the same period a year ago, with mattress fabrics segment sales up 17 percent and upholstery fabrics segment sales up 11 percent over the same period a year ago.
- § Year to date pre-tax income was \$8.7 million, or 4.9 percent of sales, compared with \$10.4 million, or 6.6 percent of sales for the same period last year.
- § Year to date net income was \$9.9 million, or \$0.76 per diluted share, compared with net income of \$10.2 million, or \$0.77 per diluted share, for the same period a year ago. Year to date net income included a \$1.2 million income tax benefit, while net income for the previous year period included an income tax expense of \$213,000.
- § Estimated year to date cash income tax rate was 18.2 percent and 15.3 percent through the first three quarters of fiscal 2012 and fiscal 2011, respectively.
- § The projection for fourth quarter fiscal 2012 is for overall sales to increase approximately 8 to 13 percent. Pre-tax income for the fourth quarter of fiscal 2012 is expected to be in the range of \$4.5 million to \$5.4 million. Pre-tax income for the fourth quarter of fiscal 2011 was \$4.7 million.

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Commenting on the results, Frank Saxon, chief executive officer of Culp, Inc., said, "We are very pleased with the continued momentum in our sales for the third quarter of fiscal 2012. This positive trend reflects both improved industry demand and the success of our sales and marketing initiatives, along with the benefits of our innovative designs and lean global manufacturing platform. Both of our businesses had a strong sales performance in what is typically a slower quarterly period due to scheduled holiday plant shutdowns. Overall, our operating margins have continued to be affected by higher raw material costs and a stronger Chinese currency compared with the same quarter a year ago.

"Culp is becoming recognized as an innovative leader in both mattress fabrics and upholstery fabrics as we have continued to deliver a wide range of exceptional products that meet the changing style demands of our customers around the world. In addition, as the bedding and furniture industries begin to recover, we have the capability to support our customers with outstanding service, reliable delivery performance and consistent quality and value. Just as important, we are a trusted supplier with the financial strength and flexibility to support our growth strategy in a dynamic global marketplace."

Mattress Fabrics Segment

Mattress fabric sales for the third quarter were \$34.7 million, a 24 percent increase compared with \$28.0 million for the third quarter of fiscal 2011.

"Our mattress fabrics business delivered an outstanding sales performance in the third quarter, in what is typically a seasonally slower period with scheduled holiday plant closures," said Iv Culp, president of Culp's mattress fabrics division. "Demand for mattress fabrics was better than expected and the results clearly demonstrate our ability to respond to customers with expanded production capacity and a flexible manufacturing platform. The mattress industry is evolving into a more decorative business with growing consumer demand for better bedding and a higher quality mattress fabric. Culp has been at the forefront of meeting this demand with an innovative and diverse line of products in every major category, supported by exceptional customer service. We also have the ability to leverage our outstanding design capabilities for new products, and we are encouraged by the positive response from leading customers in the bedding industry.

"While we are pleased with the increased sales, our operating margins were affected by the scheduled holiday plant closings, higher raw material costs and continued pricing pressures. We are encouraged that raw material prices have come down from their peak levels and seem to have stabilized. However, we are still experiencing higher raw material costs as compared with the previous year period, and we have continued to work diligently to manage our production costs and identify alternative sources of yarns and raw materials without compromising quality or production efficiency. We understand the impact of raw material costs on operating margins, and we expect that the following quarters will show improvement.

"We believe we are well positioned for a strong year in our mattress fabrics business and look forward to the opportunities ahead for the remainder of fiscal 2012," added Culp. "We are an innovative leader in the marketplace with a flexible manufacturing platform that meets current demand trends and is supported by exceptional design, superior customer service, reliable delivery performance and consistent quality and value."

Upholstery Fabrics Segment

Sales for this segment were \$25.7 million, a nine percent increase compared with \$23.7 million in the third quarter of fiscal 2011. Sales of China produced fabrics, which includes sales of Culp Europe, were \$22.6 million in the third quarter of fiscal 2012, up 9.2 percent over the prior year period, while sales of U.S. produced fabrics were \$3.1 million, up 5.5 percent from the third quarter of fiscal 2011.

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“We are encouraged by the continued growth in sales in our upholstery fabrics business in spite of the continued weakness in the U.S. housing market and the uncertain global economic situation,” noted Saxon. “We were especially pleased with the year over year sales improvement from our U.S. operation with increased demand for both velvets and woven texture fabrics. We also had another solid performance with increased sales of our China produced fabrics. Customer response to these products has continued to be favorable as we have focused on offering innovative designs and high quality at a competitive price. We have been pleased with our recent sales and marketing initiatives that have resulted in increased placements with key U.S. customers, local China market customers and a growing list of international customers. Based on recent order trends, we believe our sales momentum will continue for the remainder of fiscal 2012.

“While we are pleased with the sales gains, our upholstery fabrics results for the third quarter continued to be affected by higher raw material costs and the currency impact on our China produced products, as compared with the same quarter of last year. As previously announced, we implemented price increases for the U.S. produced velvet product line that were in effect throughout the third quarter. In addition, we are implementing a price increase for the China sourced fabrics that will go into effect late in the fourth quarter. While we are encouraged that raw material costs have stabilized, our operating costs in China are higher than the same time a year ago. We will continue to leverage our outstanding design capabilities and manufacturing platform to introduce new products that offer excellent quality and value at better margins.

“In addition, the steps we have taken to align our U.S. velvet capacity with expected demand have had favorable results,” added Saxon. “We realized the benefits of these initiatives as we had a return to profitability in our U.S. operation during the third quarter. We are also encouraged by the new placements with our U.S. woven texture fabric products. Notably, our costs to produce this particular category of fabrics in the U.S. are now comparable to the production costs in China. We are expecting further growth in sales and profitability from this operation during the fourth quarter.”

Saxon continued, “We continue to make progress in the development of our Culp Europe operation, located in Poland. While this operation is still in the early stages of development, we are encouraged by the level of interest from several of the largest furniture manufacturers and retailers in Europe. We expect to gradually grow this business, with sales contributing approximately three percent of our total upholstery fabrics sales this fiscal year and then increasing further over the next fiscal year. Given the typical start-up costs associated with a new operation, we expect to show a small operating loss for fiscal 2012, and then begin to make a more meaningful contribution to profits in the next fiscal year. We are excited about the opportunities ahead for Culp Europe and believe we are making progress in creating a scalable operation that will enhance our global sales and extend our market reach.”

Balance Sheet

“Our strong financial position continues to be an important advantage for Culp in fiscal 2012,” said Saxon. “As of January 29, 2012, our balance sheet reflected \$23.6 million in cash and cash equivalents and short term investments. Total debt at the end of the third quarter of fiscal 2012 was \$10.1 million. Our next major scheduled principal payment of \$2.2 million is not due until August 2012.

“As previously announced on June 16, 2011, our Board of Directors authorized the expenditure of up to \$5.0 million for the repurchase of shares of the company's common stock. Subsequently, on August 29, 2011, the Board authorized the addition of \$2.0 million to this program, for a total of \$7.0 million. As of February 27, 2012, we have returned \$5.4 million to shareholders through the repurchase of 624,459 shares, representing approximately 4.7 percent of shares outstanding at the beginning of the share repurchase program.

Outlook

Commenting on the outlook for the fourth quarter of fiscal 2012, Saxon remarked, “Given our sales momentum, we expect sales for the fourth quarter of fiscal 2012 to be up approximately 8 to 13 percent from the fourth quarter of last year.

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“We expect sales in our mattress fabrics segment to be approximately 8 to 13 percent higher compared with the same period a year ago. Operating income in this segment is expected to be flat to slightly lower than operating income for the same period a year ago.

“In our upholstery fabrics segment, we expect sales for the fourth quarter to be 7 to 12 percent higher compared with the same period last year. We believe the upholstery fabric segment’s operating income will be significantly higher than the previous year’s fourth quarter.

“Considering these factors, the company expects to report pre-tax income for the fourth fiscal quarter of 2012 in the range of \$4.5 million to \$5.4 million. This is management’s best estimate at present, recognizing that future financial results are difficult to predict because of overall economic uncertainties.

“Also, given the volatility in the income tax area during fiscal 2011 and for the year to date period of fiscal 2012, the income tax expense or benefit and related tax rate for the fourth quarter of fiscal 2012 remain very difficult to project,” said Saxon.

In closing, Saxon remarked, “Our ability to leverage our outstanding design capabilities, product innovation and lean manufacturing platform is driving Culp’s performance this fiscal year. We have continued to grow our business by meeting the changing product demands of our customers in a dynamic marketplace and in an uncertain economic climate. We have a strong competitive position in both mattress fabrics and upholstery fabrics, with further opportunities to capitalize on a sustained improvement in the marketplace. Our financial strength is a key advantage that supports our ability to execute our strategy now and make the right investments to ensure an improved performance going forward. We are pleased with the trends in our business and look forward to completing fiscal 2012 with a strong fourth quarter.”

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 “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. 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 15, 2011, for fiscal year ended May 1, 2011.

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CULP, INC.
Condensed Financial Highlights
(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 29, 2012	January 30, 2011	January 29, 2012	January 30, 2011
Net sales	\$ 60,450,000	\$ 51,652,000	\$ 178,733,000	\$ 156,443,000
Income before income taxes	\$ 2,877,000	\$ 2,908,000	\$ 8,705,000	\$ 10,387,000
Net income	\$ 1,802,000	\$ 2,425,000	\$ 9,873,000	\$ 10,174,000
Net income per share:				
Basic	\$ 0.14	\$ 0.19	\$ 0.77	\$ 0.79
Diluted	\$ 0.14	\$ 0.18	\$ 0.76	\$ 0.77
Average shares outstanding:				
Basic	12,536,000	13,005,000	12,777,000	12,936,000
Diluted	12,677,000	13,228,000	12,918,000	13,218,000

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CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF NET INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 29, 2012 AND JANUARY 30, 2011
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED				
	Amounts			Percent of Sales	
	January 29, 2012	January 30, 2011	% Over (Under)	January 29, 2012	January 30, 2011
Net sales	\$ 60,450	51,652	17.0 %	100.0 %	100.0 %
Cost of sales	51,939	43,413	19.6 %	85.9 %	84.0 %
Gross profit	8,511	8,239	3.3 %	14.1 %	16.0 %
Selling, general and administrative expenses	5,518	5,129	7.6 %	9.1 %	9.9 %
Restructuring expense	-	7	(100.0) %	0.0 %	0.0 %
Income from operations	2,993	3,103	(3.5) %	5.0 %	6.0 %
Interest expense	181	224	(19.2) %	0.3 %	0.4 %
Interest income	(148)	(57)	159.6 %	(0.2) %	(0.1) %
Other expense	83	28	196.4 %	0.1 %	0.1 %
Income before income taxes	2,877	2,908	(1.1) %	4.8 %	5.6 %
Income taxes*	1,075	483	122.6 %	37.4 %	16.6 %
Net income	\$ 1,802	2,425	(25.7) %	3.0 %	4.7 %
Net income per share-basic	\$ 0.14	\$ 0.19	(26.3) %		
Net income per share-diluted	\$ 0.14	\$ 0.18	(22.2) %		
Average shares outstanding-basic	12,536	13,005	(3.6) %		
Average shares outstanding-diluted	12,677	13,228	(4.2) %		

	NINE MONTHS ENDED				
	Amounts			Percent of Sales	
	January 29, 2012	January 30, 2011	% Over (Under)	January 29, 2012	January 30, 2011
Net sales	\$ 178,733	156,443	14.2 %	100.0 %	100.0 %
Cost of sales	152,698	130,886	16.7 %	85.4 %	83.7 %
Gross profit	26,035	25,557	1.9 %	14.6 %	16.3 %
Selling, general and administrative expenses	16,995	14,544	16.9 %	9.5 %	9.3 %
Income from operations	9,040	11,013	(17.9) %	5.1 %	7.0 %
Interest expense	590	659	(10.5) %	0.3 %	0.4 %
Interest income	(387)	(144)	168.8 %	(0.2) %	(0.1) %
Other expense	132	111	18.9 %	0.1 %	0.1 %
Income before income taxes	8,705	10,387	(16.2) %	4.9 %	6.6 %
Income taxes*	(1,168)	213	N.M.	(13.4) %	2.1 %
Net income	\$ 9,873	10,174	(3.0) %	5.5 %	6.5 %
Net income per share-basic	\$ 0.77	\$ 0.79	(2.5) %		
Net income per share-diluted	\$ 0.76	\$ 0.77	(1.3) %		
Average shares outstanding-basic	12,777	12,936	(1.2) %		
Average shares outstanding-diluted	12,918	13,218	(2.3) %		
Adjusted Effective Income Tax Rate (1)	18.2%	15.3%			

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

(1) See page 8 for reconciliation to the GAAP effective income tax rate.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
JANUARY 29, 2012, JANUARY 30, 2011 AND MAY 1, 2011

Unaudited
(Amounts in Thousands)

	<u>Amounts</u>		<u>Increase (Decrease)</u>		<u>* May 1, 2011</u>
	<u>January 29, 2012</u>	<u>January 30, 2011</u>	<u>Dollars</u>	<u>Percent</u>	
Current assets					
Cash and cash equivalents	\$ 15,096	17,259	(2,163)	(12.5) %	23,181
Short-term investments	8,511	5,518	2,993	54.2 %	7,699
Accounts receivable	22,012	16,909	5,103	30.2 %	20,209
Inventories	32,910	26,407	6,503	24.6 %	28,723
Deferred income taxes	2,767	296	2,471	834.8 %	293
Assets held for sale	45	112	(67)	(59.8) %	75
Income taxes receivable	-	407	(407)	(100.0) %	79
Other current assets	2,522	1,521	1,001	65.8 %	2,376
Total current assets	<u>83,863</u>	<u>68,429</u>	<u>15,434</u>	<u>22.6 %</u>	<u>82,635</u>
Property, plant & equipment, net	30,285	30,571	(286)	(0.9) %	30,296
Goodwill	11,462	11,462	-	0.0 %	11,462
Deferred income taxes	3,903	1,322	2,581	195.2 %	3,606
Other assets	1,944	2,093	(149)	(7.1) %	2,052
Total assets	<u>\$ 131,457</u>	<u>113,877</u>	<u>17,580</u>	<u>15.4 %</u>	<u>130,051</u>
Current liabilities					
Current maturities of long-term debt	\$ 2,400	2,400	-	0.0 %	2,412
Line of credit	875	-	875	100.0 %	-
Accounts payable - trade	23,489	17,121	6,368	37.2 %	24,871
Accounts payable - capital expenditures	15	203	(188)	(92.6) %	140
Accrued expenses	7,594	5,971	1,623	27.2 %	7,617
Accrued restructuring	40	71	(31)	(43.7) %	44
Deferred income taxes	-	-	-	0.0 %	82
Income taxes payable - current	208	289	(81)	(28.0) %	646
Total current liabilities	<u>34,621</u>	<u>26,055</u>	<u>8,566</u>	<u>32.9 %</u>	<u>35,812</u>
Income taxes payable - long-term	4,040	3,934	106	2.7 %	4,167
Deferred income taxes	659	622	37	5.9 %	596
Long-term debt , less current maturities	6,766	9,166	(2,400)	(26.2) %	9,135
Total liabilities	<u>46,086</u>	<u>39,777</u>	<u>6,309</u>	<u>15.9 %</u>	<u>49,710</u>
Shareholders' equity	<u>85,371</u>	<u>74,100</u>	<u>11,271</u>	<u>15.2 %</u>	<u>80,341</u>
Total liabilities and shareholders' equity	<u>\$ 131,457</u>	<u>113,877</u>	<u>17,580</u>	<u>15.4 %</u>	<u>130,051</u>
Shares outstanding	<u>12,693</u>	<u>13,214</u>	<u>(521)</u>	<u>(3.9) %</u>	<u>13,264</u>

* Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 29, 2012 AND JANUARY 30, 2011
Unaudited
(Amounts in Thousands)

	NINE MONTHS ENDED	
	Amounts	
	January 29, 2012	January 30, 2011
Cash flows from operating activities:		
Net income	\$ 9,873	\$ 10,174
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,600	3,205
Amortization of other assets	183	385
Stock-based compensation	258	280
Excess tax benefit related to stock-based compensation	(39)	(285)
Deferred income taxes	(2,751)	(1,219)
(Gain) loss on sale of equipment	(157)	15
Foreign currency exchange (gains) losses	(196)	33
Changes in assets and liabilities:		
Accounts receivable	(1,769)	3,053
Inventories	(4,045)	(291)
Other current assets	(159)	204
Other assets	(49)	13
Accounts payable-trade	(1,709)	(5,459)
Accrued expenses	(1)	(3,822)
Accrued restructuring	(4)	(253)
Income taxes	(305)	379
Net cash provided by operating activities	<u>2,730</u>	<u>6,412</u>
Cash flows from investing activities:		
Capital expenditures	(3,715)	(5,580)
Proceeds from the sale of equipment	188	27
Purchase of short-term investments	(4,821)	(4,532)
Proceeds from the sale of short-term investments	4,096	2,037
Net cash used in investing activities	<u>(4,252)</u>	<u>(8,048)</u>
Cash flows from financing activities:		
Proceeds from lines of credit	6,323	-
Payments on lines of credit	(5,500)	-
Payments on long-term debt	(2,354)	(129)
Payments on vendor-financed capital expenditures	-	(188)
Proceeds from common stock issued	237	591
Common stock shares repurchased	(5,384)	-
Debt issuance costs	(26)	(27)
Excess tax benefit related to stock-based compensation	39	285
Net cash (used in) provided by financing activities	<u>(6,665)</u>	<u>532</u>
Effect of exchange rate changes on cash and cash equivalents	102	68
Decrease in cash and cash equivalents	(8,085)	(1,036)
Cash and cash equivalents at beginning of period	<u>23,181</u>	<u>18,295</u>
Cash and cash equivalents at end of period	<u>\$ 15,096</u>	<u>\$ 17,259</u>
Free Cash Flow (1)	<u>\$ (656)</u>	<u>\$ 1,024</u>

(1) Free Cash Flow reconciliation is as follows:

	FY 2012	FY 2011
A) Net cash provided by operating activities	\$ 2,730	\$ 6,412
B) Minus: Capital Expenditures	(3,715)	(5,580)
C) Add: Proceeds from the sale of equipment	188	27
D) Minus: Payments on vendor-financed capital expenditures	-	(188)
E) Add: Excess tax benefit related to stock-based compensation	39	285
F) Effects of exchange rate changes on cash and cash equivalents	102	68

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE THREE MONTHS ENDED JANUARY 29, 2012 AND JANUARY 30, 2011
(Unaudited)

(Amounts in thousands)

	THREE MONTHS ENDED				
	Amounts		% Over (Under)	Percent of Total Sales	
	January 29, 2012	January 30, 2011		January 29, 2012	January 30, 2011
Net Sales by Segment					
Mattress Fabrics	\$ 34,719	27,991	24.0 %	57.4 %	54.2 %
Upholstery Fabrics	25,731	23,661	8.7 %	42.6 %	45.8 %
Net Sales	<u>\$ 60,450</u>	<u>51,652</u>	<u>17.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Gross Profit by Segment					
Mattress Fabrics	\$ 5,104	4,596	11.1 %	14.7 %	16.4 %
Upholstery Fabrics	3,407	3,643	(6.5) %	13.2 %	15.4 %
Subtotal	<u>8,511</u>	<u>8,239</u>	<u>3.3 %</u>	<u>14.1 %</u>	<u>16.0 %</u>
Selling, General and Administrative expenses by Segment					
Mattress Fabrics	\$ 1,970	1,780	10.7 %	5.7 %	6.4 %
Upholstery Fabrics	2,653	2,517	5.4 %	10.3 %	10.6 %
Unallocated Corporate expenses	895	832	7.6 %	1.5 %	1.6 %
Selling, General and Administrative expenses	<u>5,518</u>	<u>5,129</u>	<u>7.6 %</u>	<u>9.1 %</u>	<u>9.9 %</u>
Operating Income (loss) by Segment					
Mattress Fabrics	\$ 3,134	2,816	11.3 %	9.0 %	10.1 %
Upholstery Fabrics	754	1,126	(33.0) %	2.9 %	4.8 %
Unallocated corporate expenses	(895)	(832)	7.6 %	(1.5) %	(1.6) %
Subtotal	2,993	3,110	(3.8) %	5.0 %	6.0 %
Restructuring and related charges	-	(7) (1)	(100.0) %	0.0 %	(0.0) %
Operating income	<u>2,993</u>	<u>3,103</u>	<u>(3.5) %</u>	<u>5.0 %</u>	<u>6.0 %</u>
Depreciation by Segment					
Mattress Fabrics	\$ 1,081	974	11.0 %		
Upholstery Fabrics	133	134	(0.7) %		
Subtotal	<u>\$ 1,214</u>	<u>1,108</u>	<u>9.6 %</u>		

Notes:

- (1) The \$7 restructuring charge represents \$17 for lease termination and other exit costs offset by a credit of \$10 for sales proceeds received on equipment with no carrying value.

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE NINE MONTHS ENDED JANUARY 29, 2012 AND JANUARY 30, 2011
(Unaudited)

(Amounts in thousands)

	NINE MONTHS ENDED				
	Amounts			Percent of Total Sales	
	January 29, 2012	January 30, 2011	% Over (Under)	January 29, 2012	January 30, 2011
Net Sales by Segment					
Mattress Fabrics	\$ 102,130	87,244	17.1 %	57.1 %	55.8 %
Upholstery Fabrics	76,603	69,199	10.7 %	42.9 %	44.2 %
Net Sales	<u>\$ 178,733</u>	<u>156,443</u>	<u>14.2 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Gross Profit by Segment					
			Gross Profit Margin		
Mattress Fabrics	\$ 16,180	15,616	3.6 %	15.8 %	17.9 %
Upholstery Fabrics	9,932	9,941	(0.1) %	13.0 %	14.4 %
Subtotal	26,112	25,557	2.2 %	14.6 %	16.3 %
Other non-recurring charges	(77) (1)	-	100.0 %	(0.0) %	0.0 %
Gross Profit	<u>26,035</u>	<u>25,557</u>	<u>1.9 %</u>	<u>14.6 %</u>	<u>16.3 %</u>
Selling, General and Administrative expenses by Segment					
			Percent of Sales		
Mattress Fabrics	\$ 6,094	5,480	11.2 %	6.0 %	6.3 %
Upholstery Fabrics	8,186	6,394	28.0 %	10.7 %	9.2 %
Unallocated Corporate expenses	2,715	2,670	1.7 %	1.5 %	1.7 %
Selling, General, and Administrative expenses	<u>16,995</u>	<u>14,544</u>	<u>16.9 %</u>	<u>9.5 %</u>	<u>9.3 %</u>
Operating Income (loss) by Segment					
			Operating Income (Loss) Margin		
Mattress Fabrics	\$ 10,087	10,136	(0.5) %	9.9 %	11.6 %
Upholstery Fabrics	1,745	3,547	(50.8) %	2.3 %	5.1 %
Unallocated corporate expenses	(2,715)	(2,670)	1.7 %	(1.5) %	(1.7) %
Subtotal	9,117	11,013	(17.2) %	5.1 %	7.0 %
Other non-recurring charges	(77) (1)	-	100.0 %	(0.0) %	0.0 %
Operating income	<u>9,040</u>	<u>11,013</u>	<u>(17.9) %</u>	<u>5.1 %</u>	<u>7.0 %</u>
Return on Capital (2)					
Mattress Fabrics	25.1%	26.0%			
Upholstery Fabrics	17.1%	38.1%			
Unallocated Corporate	N/A	N/A			
Consolidated	<u>17.9%</u>	<u>23.1%</u>			
Capital Employed (2) (3)					
Mattress Fabrics	52,595	53,954	(2.5) %		
Upholstery Fabrics	17,572	12,506	40.5 %		
Unallocated Corporate	(125)	(751)	N/A		
Consolidated	<u>70,042</u>	<u>65,709</u>	<u>6.6 %</u>		
Depreciation by Segment					
Mattress Fabrics	\$ 3,163	2,795	13.2%		
Upholstery Fabrics	437	410	6.6%		
Subtotal	<u>3,600</u>	<u>3,205</u>	<u>12.3%</u>		

Notes:

- (1) Our other non-recurring charges represent employee termination benefits associated with our Anderson, SC plant facility.
 - (2) See pages 6 and 7 of this financial information release for calculations.
 - (3) The capital employed balances are as of January 29, 2012 and January 30, 2011.
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CULP, INC. FINANCIAL INFORMATION RELEASE
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE NINE MONTHS ENDED JANUARY 29, 2012
(Amounts in Thousands)
(Unaudited)

	Operating Income Nine Months Ended January 29, 2012 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	\$ 10,087	\$ 53,609	25.1%
Upholstery Fabrics	1,745	13,569	17.1%
(less: Unallocated Corporate)	(2,792)	66	N/A
Total	\$ 9,040	\$ 67,243	17.9%

Average Capital Employed

	As of the three Months Ended January 29, 2012				As of the three Months Ended October 30, 2011				As of the three Months Ended July 31, 2011			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	69,063	29,501	32,893	131,457	68,568	24,462	34,094	127,124	71,325	26,683	31,299	129,307
Total liabilities	(16,468)	(11,929)	(17,689)	(46,086)	(15,353)	(11,253)	(16,421)	(43,027)	(15,331)	(13,507)	(19,118)	(47,956)
Subtotal	\$ 52,595	\$ 17,572	\$ 15,204	\$ 85,371	\$ 53,215	\$ 13,209	\$ 17,673	\$ 84,097	\$ 55,994	\$ 13,176	\$ 12,181	\$ 81,351
Less:												
Cash and cash equivalents	-	-	(15,096)	(15,096)	-	-	(13,795)	(13,795)	-	-	(14,570)	(14,570)
Short-term investments	-	-	(8,511)	(8,511)	-	-	(10,482)	(10,482)	-	-	(10,443)	(10,443)
Deferred income taxes - current	-	-	(2,767)	(2,767)	-	-	(2,659)	(2,659)	-	-	(1,237)	(1,237)
Income taxes receivable	-	-	-	-	-	-	(79)	(79)	-	-	(79)	(79)
Deferred income taxes - non-current	-	-	(3,903)	(3,903)	-	-	(4,540)	(4,540)	-	-	(2,191)	(2,191)
Current maturities of long-term debt	-	-	2,400	2,400	-	-	2,401	2,401	-	-	2,409	2,409
Line of credit	-	-	875	875	-	-	-	-	-	-	-	-
Deferred income taxes - current	-	-	-	-	-	-	-	-	-	-	82	82
Income taxes payable - current	-	-	208	208	-	-	373	373	-	-	345	345
Income taxes payable - long-term	-	-	4,040	4,040	-	-	4,096	4,096	-	-	4,178	4,178
Deferred income taxes - non-current	-	-	659	659	-	-	659	659	-	-	596	596
Long-term debt, less current maturities	-	-	6,766	6,766	-	-	6,818	6,818	-	-	9,079	9,079
Total Capital Employed	\$ 52,595	\$ 17,572	\$ (125)	\$ 70,042	\$ 53,215	\$ 13,209	\$ 465	\$ 66,889	\$ 55,994	\$ 13,176	\$ 350	\$ 69,520

As of the three Months Ended May 1, 2011

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	66,637	25,929	37,485	130,051
Total liabilities	(14,005)	(15,612)	(20,093)	(49,710)
Subtotal	\$ 52,632	\$ 10,317	\$ 17,392	\$ 80,341
Less:				
Cash and cash equivalents	-	-	(23,181)	(23,181)
Short-term investments	-	-	(7,699)	(7,699)
Deferred income taxes - current	-	-	(293)	(293)
Income taxes receivable	-	-	(79)	(79)
Deferred income taxes - non-current	-	-	(3,606)	(3,606)
Current maturities of long-term debt	-	-	2,412	2,412
Line of credit	-	-	-	-
Deferred income taxes - current	-	-	82	82
Income taxes payable - current	-	-	646	646
Income taxes payable - long-term	-	-	4,167	4,167
Deferred income taxes - non-current	-	-	596	596
Long-term debt, less current maturities	-	-	9,135	9,135
Total Capital Employed	\$ 52,632	\$ 10,317	\$ (428)	\$ 62,521

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed (3)	\$ 53,609	\$ 13,569	\$ 66	\$ 67,243

Notes:

- (1) See reconciliation per page 5 of this financial information release.
- (2) Return on average capital employed represents operating income for the nine month period ending January 29, 2012 divided by 3 quarters times 4 quarters to arrive at an annualized value then divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments, long-term debt, including current maturities, line of credit, current and noncurrent deferred tax assets and liabilities, income taxes payable, and income taxes receivable.
- (3) Average capital employed was computed using the four periods ending May 1, 2011, July 31, 2011, October 30, 2011, and January 29, 2012.

CULP, INC. FINANCIAL INFORMATION RELEASE
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE NINE MONTHS ENDED JANUARY 30, 2011
(UNAUDITED)

	Operating Income Nine Months Ended January 30, 2011 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	\$ 10,136	\$ 52,006	26.0%
Upholstery Fabrics	3,547	12,415	38.1%
(less: Unallocated Corporate)	(2,670)	(954)	N/A
Total	\$ 11,013	\$ 63,467	23.1%

Average Capital Employed	As of the three Months Ended January 30, 2011				As of the three Months Ended October 31, 2010				As of the three Months Ended August 1, 2010			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	63,830	22,623	27,424	113,877	65,485	22,277	24,146	111,908	66,919	24,415	21,763	113,097
Total liabilities	(9,876)	(10,117)	(19,784)	(39,777)	(10,634)	(10,275)	(19,495)	(40,404)	(14,902)	(11,126)	(19,943)	(45,971)
Subtotal	\$ 53,954	\$ 12,506	\$ 7,640	\$ 74,100	\$ 54,851	\$ 12,002	\$ 4,651	\$ 71,504	\$ 52,017	\$ 13,289	\$ 1,820	\$ 67,126
Less:												
Cash and cash equivalents	-	-	(17,259)	(17,259)	-	-	(15,262)	(15,262)	-	-	(14,045)	(14,045)
Short-term investments	-	-	(5,518)	(5,518)	-	-	(4,035)	(4,035)	-	-	(4,009)	(4,009)
Deferred income taxes - current	-	-	(296)	(296)	-	-	(176)	(176)	-	-	(138)	(138)
Income taxes receivable	-	-	(407)	(407)	-	-	(477)	(477)	-	-	(568)	(568)
Deferred income taxes - non-current	-	-	(1,322)	(1,322)	-	-	(1,391)	(1,391)	-	-	(245)	(245)
Current maturities of long-term debt	-	-	2,400	2,400	-	-	2,396	2,396	-	-	194	194
Income taxes payable - current	-	-	289	289	-	-	90	90	-	-	182	182
Income taxes payable - long-term	-	-	3,934	3,934	-	-	3,890	3,890	-	-	3,877	3,877
Deferred income taxes - non-current	-	-	622	622	-	-	622	622	-	-	666	666
Long-term debt, less current maturities	-	-	9,166	9,166	-	-	9,209	9,209	-	-	11,453	11,453
Total Capital Employed	\$ 53,954	\$ 12,506	\$ (751)	\$ 65,709	\$ 54,851	\$ 12,002	\$ (483)	\$ 66,370	\$ 52,017	\$ 13,289	\$ (813)	\$ 64,493

	As of the three Months Ended May 2, 2010			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	61,922	25,420	25,256	112,598
Total liabilities	(14,720)	(13,559)	(21,272)	(49,551)
Subtotal	\$ 47,202	\$ 11,861	\$ 3,984	\$ 63,047
Less:				
Cash and cash equivalents	-	-	(18,295)	(18,295)
Short-term investments	-	-	(3,023)	(3,023)
Deferred income taxes - current	-	-	(150)	(150)
Income taxes receivable	-	-	(728)	(728)
Deferred income taxes - non-current	-	-	(324)	(324)
Current maturities of long-term debt	-	-	196	196
Income taxes payable - current	-	-	224	224
Income taxes payable - long-term	-	-	3,876	3,876
Deferred income taxes - non-current	-	-	982	982
Long-term debt, less current maturities	-	-	11,491	11,491
Total Capital Employed	\$ 47,202	\$ 11,861	\$ (1,767)	\$ 57,296

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed (3)	\$ 52,006	\$ 12,415	\$ (954)	\$ 63,467

Notes:

- (1) Operating income excludes restructuring and related charges--see reconciliation per page 5 of this financial information release.
- (2) Return on average capital employed represents operating income for the 9 month period ending January 30, 2011 divided by 3 quarters times 4 quarters to arrive at an annualized value then divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments, long-term debt, including current maturities, current and noncurrent deferred tax assets and liabilities, current and long-term income taxes payable, and income taxes receivable.
- (3) Average capital employed computed using the four periods ending May 2,2010, August 1,2010, October 31, 2010, and January 30, 2011.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED ADJUSTED EFFECTIVE INCOME TAX RATE
FOR THE NINE MONTHS ENDED JANUARY 29, 2012 AND JANUARY 30, 2011
Unaudited
(Amounts in Thousands)

		NINE MONTHS ENDED	
		Amounts	
		January 29, 2012	January 30, 2011
Consolidated Effective GAAP Income Tax Rate	(1)	(13.4) %	2.1 %
Reduction of U.S. Valuation Allowance		50.2 %	-
Reduction of China Valuation Allowance		-	12.2 %
Fiscal 2012 Non-Cash U.S. Income Tax Expense		(18.1) %	(2.0) %
Fiscal 2012 Non-Cash Foreign Income Tax Expense		(0.5) %	3.0 %
Consolidated Adjusted Effective Income Tax Rate	(2)	18.2 %	15.3 %

(1) Calculated by dividing consolidated income tax (benefit) expense by consolidated income before income taxes.

(2) Represents estimated cash income tax expense for our subsidiaries located in Canada, China, and Poland divided by consolidated income before income taxes.