

**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) September 2, 2015

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, profit margins, profitability, operating income, capital expenditures, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, 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 and China 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, is included in Item 1A “Risk Factors” in our Form 10-K filed with the Securities and Exchange Commission on July 17, 2015 for the fiscal year ended May 3, 2015.

Item 2.02 – Results of Operations and Financial Condition

On September 2, 2015, we issued a news release to announce our financial results for our first quarter ended August 2, 2015. The news release is attached hereto as Exhibit 99(a).

Also on September 2, 2015, we released a Financial Information Release containing additional financial information and disclosures about first quarter ended August 2, 2015. 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, plus any proceeds from sales of equipment, plus any proceeds from life insurance policies, plus excess tax benefits related to stock-based compensation, minus the purchase of long-term investments, minus any payments on life insurance policies, and plus or minus 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, dividends, 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, and also for making decisions about dividend payments and share repurchases.

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 certain non-recurring 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 estimated 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) carryforwards, 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 and Canada. 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 also note that, because the consolidated adjusted effective income tax rate used to calculate adjusted net income is based on annualized amounts and estimates, adjusted net income for any quarter or year-to-date period does 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.

The news release and Financial Information Release contains disclosures about our adjusted net income, which is a non-GAAP performance measure that incorporates the consolidated adjusted effective income tax rate discussed in the preceding paragraph. Adjusted net income is calculated by multiplying the consolidated adjusted effective income tax rate by the amount of income before income taxes shown on our income statement. Because the consolidated adjusted effective income tax rate eliminates non-cash items that affect our GAAP income tax expense, adjusted net income is intended to demonstrate the amount of net income that would be generated by our operations if only the cash portions of our income tax expense are deducted from income before income taxes. As noted above, our consolidated income tax expense on a GAAP basis can vary widely over different reporting periods due to the effect of non-cash items, and we believe the calculation of adjusted net income is useful to investors because it eliminates these items and aids in the analysis of comparable financial periods by reflecting the amount of earnings available after the deduction of tax liabilities that are paid in cash. Adjusted net income should not be viewed in isolation by investors and should not be used as a substitute for net income calculated in accordance with GAAP. We also note that, because the consolidated adjusted effective income tax rate used to calculate adjusted net income is based on annualized amounts and estimates, adjusted net income for any quarter or year-to-date period does not necessarily indicate results that could be expected for the full fiscal year. In addition, the limitations on the usefulness of consolidated adjusted effective income tax rates described in the preceding paragraph also apply to the usefulness of adjusted net income, since consolidated adjusted effective income tax rates are used to calculate adjusted net income. Management uses adjusted net income to help it analyze the company's earnings and performance after taking certain tax matters into account when comparing comparable quarterly and year-to-date periods.

The news release and Financial Information Release contains disclosures about our Adjusted EBITDA, which is a non-GAAP performance measure that reflects net income excluding tax expenses and net interest expense, as well as depreciation and amortization expense and stock based compensation expense. Details of these calculations and a reconciliation to information from our GAAP financial statements is set forth in the Financial Information Release. We believe presentation of Adjusted EBITDA is useful to investors because earnings before interest, income taxes, depreciation and amortization, and similar performance measures that exclude certain charges from earnings, are often used by investors and financial analysts in evaluating and comparing companies in our industry. We note, however, that such measures are not defined uniformly by various companies, with differing expenses being excluded from net income to calculate these performance measures. For this reason, Adjusted EBITDA should not be viewed in isolation by investors and should not be used as a substitute for net income calculated in accordance with GAAP, nor should it be used for direct comparisons with similarly titled performance measures reported by other companies. Use of Adjusted EBITDA as an analytical tool has limitations in that this measure does not reflect all expenses that are necessary to fund and operate our business, including funds required to pay taxes, service our debt, and fund capital expenditures, among others. Management uses Adjusted EBITDA to help it analyze the company's earnings and operating performance, by excluding the effects of expenses that depend upon capital structure and debt level, tax provisions (which can be volatile for our company as described above), and non-cash items such as depreciation, amortization and stock based compensation expense that do not require immediate uses of cash.

Item 9.01 (d) -- Exhibits

99(a) News Release dated September 2, 2015

99(b) Financial Information Release dated September 2, 2015

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: September 2, 2015

EXHIBIT INDEX

Exhibit Number

Exhibit

99(a)
99(b)

News Release dated September 2, 2015
Financial Information Release dated September 2, 2015



NEWS RELEASE

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

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

CULP ANNOUNCES RESULTS FOR FIRST QUARTER FISCAL 2016

HIGH POINT, N.C. (September 2, 2015) — Culp, Inc. (NYSE: CFI) today reported financial and operating results for the first quarter ended August 2, 2015.

Fiscal 2016 first quarter highlights:

- Net sales were \$80.2 million, up 5.4 percent, with mattress fabrics sales up 11.6 percent and upholstery fabrics sales down 2.6 percent. The first quarter of fiscal 2016 had 13 weeks compared with 14 weeks for the first quarter of fiscal 2015.
- Pre-tax income was \$7.4 million, compared with \$5.5 million for the prior year period.
- Adjusted net income (non-GAAP) was \$6.2 million, or \$0.50 per diluted share, for the current quarter, compared with \$4.5 million, or \$0.37 per diluted share, for the prior year period. (Adjusted net income is calculated using estimated cash income tax expense. See the reconciliation to net income on page 6). Net income (GAAP) was \$4.7 million, or \$0.38 per diluted share, compared with net income of \$3.3 million, or \$0.27 per diluted share, in the prior year period.
- The company's financial position remained strong with cash and cash equivalents and short term investments of \$32.3 million and total debt of \$2.2 million as of August 2, 2015. Following the end of the first quarter, the company paid the final installment on its term loan with no remaining debt on the balance sheet at this time.
- Consolidated return on capital was 34 percent compared with 26 percent in the prior year period.
- The company paid a cash dividend of \$0.06 per share and a special cash dividend of \$0.40 per share during the quarter, totaling \$5.7 million. Since June 2011, the company has returned a total of \$35.0 million to shareholders in the form of regular quarterly and special dividends and share repurchases.
- The projection for the second quarter of fiscal 2016 is for overall sales to be in the range of three percent to six percent higher as compared with the same period last year. Pre-tax income is expected to be in the range of \$5.5 million to \$6.0 million. Pre-tax income for the second quarter of fiscal 2015 was \$4.9 million.
- The company expects fiscal 2016 to be a good year for free cash flow even after the planned \$8.0 to \$9.0 million in capital expenditures.

Overview

For the first quarter ended August 2, 2015, net sales were \$80.2 million, compared with \$76.1 million a year ago. The company reported net income of \$4.7 million, or \$0.38 per diluted share, for the first quarter of fiscal 2016, compared with net income of \$3.3 million, or \$0.27 per diluted share, for the first quarter of fiscal 2015. The first quarter of fiscal 2016 had 13 weeks compared with 14 weeks for the first quarter of fiscal 2015.

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Given the volatility in the income tax area during fiscal 2015 and previous years, the company is also reporting adjusted net income (non-GAAP), which is calculated using estimated cash income tax expense for its foreign subsidiaries. (A presentation of adjusted net income and reconciliation to net income is set forth on page 6). The company currently does not incur cash income tax expense in the U.S., nor does it expect to for a few more years, due to approximately \$32 million in U.S. net operating loss carryforwards as of the end of fiscal 2015. For the first quarter of fiscal 2016, adjusted net income was \$6.2 million, or \$0.50 per diluted share, compared with \$4.5 million, or \$0.37 per diluted share, for the first quarter of fiscal 2015. On a pre-tax basis, the company reported income of \$7.4 million compared with \$5.5 million for the first quarter of fiscal 2015.

Commenting on the results, Frank Saxon, president and chief executive officer of Culp, Inc., said, "We are pleased to report a solid start to fiscal 2016, with our first quarter sales and operating results better than expected, driven by strong performances in both of our businesses. Overall, our total sales were up 5.4 percent compared with a year ago. These results reflect favorable demand trends and positive customer response to our creative designs and diverse product offering. Our strategic focus on innovation and product excellence continues to be the key driver of our performance in both businesses, and we intend to follow this same strategy in fiscal 2016. Importantly, we have a scalable and global manufacturing platform that supports our ability to deliver these products and meet changing customer demand with exceptional service. We also have the financial strength to continue making the strategic investments to support our growth. Finally, we are especially pleased that Culp is now debt-free for the first time in our 43-year history."

Mattress Fabrics Segment

Mattress fabrics sales for the first quarter were \$47.8 million, up 11.6 percent compared with \$42.8 million for the first quarter of fiscal 2015.

"Our mattress fabrics business continued to gain momentum in the first quarter of fiscal 2016 with better than expected results," said Iv Culp, president of Culp's mattress fabrics division. "The higher sales for the quarter reflect favorable demand trends through the busy summer selling season. Importantly, we continued to outpace overall industry growth as our outstanding designs and innovative product offering provide a strong competitive advantage in today's mattress fabric marketplace. From design to final delivery, we are doing an exceptional job in executing our vision to offer a full complement of fabrics and sewn covers across all price points and style trends, backed by excellent service. Our products are resonating with customers who are embracing today's more fashionable and decorative look, and we are well positioned to capitalize on these demand trends and expand our sales. Culp has a strong value proposition that combines outstanding design capabilities with an expanded manufacturing platform focused on mirrored manufacturing and reactive capacity.

"Our improved operating results reflect solid execution of the strategic plan that we laid out at the beginning of last fiscal year, with consistent growth and progress since we began our \$9.5 million capital project. We are realizing the benefits of this expanded capacity and new equipment with greater operating efficiencies, enhanced finishing capabilities and better overall throughput. Additionally, we benefited from some lower input costs during the quarter.

"We have completed the major work at our two North Carolina facilities, and we are now focused on expanding our operations and installing additional new equipment in our Canadian location during fiscal 2016. Through our continued capital investments, we remain dedicated to our product delivery performance and strive to offer the best possible service to our customers.

"Overall, the fundamentals of our mattress fabrics business are strong, and we have created a strategic infrastructure that will support our continued growth and innovation. We are also pleased with the increasing contribution from our latest venture in sewn mattress covers, which further supports our diversification strategy and enhances our strong value proposition. We remain confident in our ability to execute our strategy with continued success in the year ahead," Culp concluded.

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Upholstery Fabrics Segment

Sales for this segment were \$32.4 million for the first quarter, compared with sales of \$33.2 million in the first quarter of fiscal 2015.

“Our upholstery fabrics sales were in line with our expectations for the first quarter of fiscal 2016, while our operating results improved significantly,” noted Boyd Chumbley, executive vice president of Culp’s upholstery fabrics division. “Overall, we are pleased with our consistent execution of a product-driven strategy with a focus on creative designs and product innovation. We have also pursued marketing strategies to diversify our customer base and expand our geographic reach. Together, these efforts have been the key drivers of our sales and operating performance, both with existing customers and new customers. We have continued to enhance our product mix with favorable results, and we are pleased with our recent success in reaching additional end-user markets, including increased sales with the hospitality and “lifestyle” retail markets.

“Our global platform supports these marketing efforts with the flexibility to adapt to changing furniture market trends and consumer style preferences. China produced fabrics accounted for 93 percent of Culp’s upholstery fabrics sales during the first quarter. This unique platform has allowed us to more effectively reach new customers, with the ability to offer a diverse product mix of fabric styles and price points with outstanding service and quality. Our results for the first quarter also reflect a more stable cost environment in China.

“We are proud of our growing reputation as an innovative and trusted industry leader and our ability to meet the demands of our customers. Looking ahead, we believe our strategies will continue to drive profitable growth in upholstery fabrics for fiscal 2016, especially as the overall economy and the U.S. housing market continue to strengthen,” added Chumbley.

Balance Sheet

“Maintaining a strong financial position, generating free cash flow and investing in our strategic initiatives will continue to be top priorities for fiscal 2016,” added Ken Bowling, chief financial officer of Culp, Inc. “As of the end of the first quarter, we reported \$32.3 million in cash and cash equivalents and short-term investments compared with \$31.0 million a year ago. Consistent with our capital allocation strategy, the company paid a \$0.40 per share special dividend during the first quarter, along with the regular quarterly dividend of \$0.06 per share, totaling \$5.7 million. Total debt was \$2.2 million at the end of the first quarter of fiscal 2016, which represented the final installment on our term loan. After the end of the quarter, we made this scheduled debt payment on August 11, with no other debt remaining on the company’s balance sheet at this time.”

Dividends and Share Repurchases

The company also announced that the Board of Directors approved the payment of the company’s quarterly cash dividend of \$0.06 per share. This payment will be made on October 15, 2015, to shareholders of record as of October 1, 2015. Future dividend payments are subject to Board approval and may be adjusted at the Board’s discretion as business needs or market conditions change.

Since June 2011, the company has returned approximately \$35 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

Outlook

Commenting on the outlook for the second quarter of fiscal 2016, Saxon remarked, “We expect overall sales to be three percent to six percent higher as compared with the second quarter of last year.

“We expect sales in our mattress fabrics segment to be four percent to eight percent higher compared with a strong second quarter in fiscal 2015. Operating income and margin in this segment are expected to be moderately higher than the same period a year ago.

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“In our upholstery fabrics segment, we expect sales to be flat to slightly higher than the second quarter of fiscal 2015. We believe the upholstery fabric segment’s operating income and margin will be moderately higher than the same period last year.

“Considering these factors, the company expects to report pre-tax income for the second fiscal quarter of 2016 in the range of \$5.5 million to \$6.0 million. Pre-tax income for last year’s second quarter was \$4.9 million.

“With respect to the full year, capital expenditures for fiscal 2016 are expected to be approximately \$8.0 million to \$9.0 million, mostly related to expansion and efficiency improvement projects for mattress fabrics. Additionally, the company expects a good year of free cash flow, even with the anticipated high level of capital expenditures and modest growth in working capital. Finally, although there is always uncertainty with longer term forecasts, we currently expect sales and operating performance for the second half of this fiscal year to be comparable or slightly better than the strong results achieved during the second half of last fiscal year.”

In closing, Saxon remarked, “We are pleased with a solid start to fiscal 2016. Going forward, we are well positioned to capitalize on our core strengths – our outstanding design capabilities, innovative product offerings and a scalable and global manufacturing platform that enables us to provide exceptional service to our worldwide customers. At the same time, we have a strong balance sheet and the financial flexibility to continue to drive innovation, enhance our operations and pursue strategic initiatives. We are excited about the opportunities before us as we look ahead to the rest of fiscal 2016 and beyond.”

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 markets a variety of innovative fabrics to its global customer base of leading bedding and furniture companies, including fabrics produced at Culp’s manufacturing facilities and fabrics sourced from other suppliers. Culp has operations located in the United States, Canada, and China.

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, 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, profit margins, profitability, operating income, capital expenditures, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, 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 and China 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, is included in Item 1A “Risk Factors” in our Form 10-K filed with the Securities and Exchange Commission on July 17, 2015, for the fiscal year ended May 3, 2015. In addition, please note that the company is not responsible for changes made to this release by wire services, internet services, or other media.

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CULP, INC.
Condensed Financial Highlights
(Unaudited)

	Three Months Ended	
	August 2, 2015	August 3, 2014
Net sales	\$ 80,185,000	\$ 76,060,000
Income before income taxes	\$ 7,408,000	\$ 5,459,000
Net income	\$ 4,701,000	\$ 3,344,000
Net income per share:		
Basic	\$ 0.38	\$ 0.27
Diluted	\$ 0.38	\$ 0.27
Adjusted net income	\$ 6,245,000	\$ 4,547,000
Adjusted net income per share		
Basic	\$ 0.51	\$ 0.37
Diluted	\$ 0.50	\$ 0.37
Average shares outstanding:		
Basic	12,277,000	12,212,000
Diluted	12,456,000	12,404,000

Presentation of Adjusted Net Income and Adjusted Income Taxes (1)

	Three Months Ended	
	August 2, 2015	August 3, 2014
Income before income taxes	\$ 7,408,000	\$ 5,459,000
Adjusted income taxes (2)	\$ 1,163,000	\$ 912,000
Adjusted net income	\$ 6,245,000	\$ 4,547,000

- (1) Culp, Inc. currently does not incur cash income tax expense in the U.S. due to its \$32 million in net operating loss carryforwards as of May 3, 2015. Therefore, adjusted net income is calculated using only income tax expense for the company's subsidiaries in Canada and China.
- (2) Represents estimated cash income tax expense for the company's subsidiaries in Canada and China, calculated with a consolidated adjusted effective income tax rate of 15.7% for fiscal 2016 and 16.7% for fiscal 2015.

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**Consolidated Adjusted Effective Income Tax Rate, Net Income and Earnings Per Share
For the Three Months Ended August 2, 2015, and August 3, 2014
(Unaudited)**
(Amounts in Thousands)

		THREE MONTHS ENDED	
		Amounts	
		August 2, 2015	August 3, 2014
Consolidated Effective GAAP Income Tax Rate	(1)	36.5%	38.7%
Non-Cash U.S. Income Tax Expense		(20.5)%	(21.2)%
Non-Cash Foreign Income Tax Expense		(0.3)%	(0.8)%
Consolidated Adjusted Effective Income Tax Rate	(2)	15.7%	16.7%

	THREE MONTHS ENDED					
	As reported August 2, 2015	Adjustments	As Adjusted August 2, 2015	As reported August 3, 2014	Adjustments	As Adjusted August 3, 2014
Income before income taxes	\$ 7,408		\$ 7,408	\$ 5,459		\$ 5,459
Income taxes (3)	2,707	\$ (1,544)	1,163	2,115	\$ (1,203)	912
Net income	\$ 4,701	\$ 1,544	\$ 6,245	\$ 3,344	\$ 1,203	\$ 4,547
Net income per share-basic	\$ 0.38	\$ 0.13	\$ 0.51	\$ 0.27	\$ 0.10	\$ 0.37
Net income per share-diluted	\$ 0.38	\$ 0.12	\$ 0.50	\$ 0.27	\$ 0.10	\$ 0.37
Average shares outstanding-basic	12,277	12,277	12,277	12,212	12,212	12,212
Average shares outstanding-diluted	12,456	12,456	12,456	12,404	12,404	12,404

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

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

(3) Adjusted income taxes calculated using the Consolidated Adjusted Effective Income Tax Rate as reflected above.

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**Reconciliation of Free Cash Flow and Return on Capital
For the Three Months Ended August 2, 2015, and August 3, 2014
(Unaudited)**
(Amounts in thousands)

Free Cash Flow Reconciliation

	<u>Three Months Ended August 2, 2015</u>	<u>Three Months Ended August 3, 2014</u>
Net cash provided by operating activities	\$ 1,055	\$ 4,051
Minus: Capital Expenditures	(3,336)	(2,333)
Add: Proceeds from the sale of equipment	104	391
Add: Excess tax benefits related to stock-based compensation	788	99
Minus: Purchase of long-term investments	(478)	(984)
Effects of exchange rate changes on cash and cash equivalents	116	223
	<u>Free Cash Flow</u>	<u>Free Cash Flow</u>
	<u>\$ (1,751)</u>	<u>\$ 1,447</u>

Return on Capital Reconciliation

	<u>Three Months Ended August 2, 2015</u>	<u>Three Months Ended August 3, 2014</u>
Consolidated Income from Operations	\$ 7,461	\$ 5,296
Average Capital Employed (2)	86,909	81,593
	<u>Return on Average Capital Employed (1)</u>	<u>Return on Average Capital Employed (1)</u>
	<u>34.3%</u>	<u>26.0%</u>

Average Capital Employed

	<u>August 2, 2015</u>	<u>May 3, 2015</u>	<u>August 3, 2014</u>	<u>April 27, 2014</u>
Total assets	\$ 169,872	\$ 171,368	\$ 154,212	\$ 160,935
Total liabilities	(51,147)	(51,941)	(45,065)	(49,191)
Subtotal	<u>\$ 118,725</u>	<u>\$ 119,427</u>	<u>\$ 109,147</u>	<u>\$ 111,744</u>
Less:				
Cash and cash equivalents	(25,933)	(29,725)	(24,665)	(29,303)
Short-term investments	(6,336)	(10,004)	(6,311)	(6,294)
Long-term investments	(2,893)	(2,415)	(1,749)	(765)
Income taxes receivable	(142)	(229)	(136)	(121)
Deferred income taxes - current	(6,986)	(4,790)	(6,203)	(6,230)
Deferred income taxes - non-current	(412)	(447)	(973)	(2,040)
Current maturities of long-term debt	2,200	2,200	2,200	2,200
Line of credit	-	-	569	586
Income taxes payable - current	392	325	387	442
Income taxes payable - long-term	3,634	3,792	4,037	3,962
Deferred income taxes - non-current	4,064	1,050	1,013	1,013
Deferred compensation	4,280	4,041	3,632	2,644
Long-term debt, less current maturities	-	-	2,200	2,200
Total Capital Employed	<u>\$ 90,593</u>	<u>\$ 83,225</u>	<u>\$ 83,148</u>	<u>\$ 80,038</u>
	<u>Average Capital Employed (2)</u>	<u>Average Capital Employed (2)</u>	<u>Average Capital Employed (2)</u>	<u>Average Capital Employed (2)</u>
	<u>\$ 86,909</u>	<u>\$ 81,593</u>	<u>\$ 81,593</u>	<u>\$ 81,593</u>

Notes:

- Return on average capital employed represents operating income for the three month period ending August 2, 2015, or August 3, 2014, times four 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 investments, long-term debt, including current maturities, line of credit, current and noncurrent deferred tax assets and liabilities, income taxes receivable and payable, and deferred compensation.**
- Average capital employed used for the three months ending August 2, 2015, was computed using the two quarterly periods ending August 2, 2015, and May 3, 2015. Average capital employed used for the three months ending August 3, 2014, was computed using the two quarterly periods ending August 3, 2014, and April 27, 2014.**

-END-

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF NET INCOME
FOR THE THREE MONTHS ENDED AUGUST 2, 2015, AND AUGUST 3, 2014
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED				
	Amounts		% Over (Under)	Percent of Sales	
	August 2, 2015	August 3, 2014		August 2, 2015	August 3, 2014
Net sales	\$ 80,185	76,060	5.4%	100.0%	100.0%
Cost of sales	63,983	63,345	1.0%	79.8%	83.3%
Gross profit	16,202	12,715	27.4%	20.2%	16.7%
Selling, general and administrative expenses	8,741	7,419	17.8%	10.9%	9.8%
Income from operations	7,461	5,296	40.9%	9.3%	7.0%
Interest expense	24	68	(64.7) %	0.0%	0.1%
Interest income	(66)	(142)	(53.5) %	(0.1) %	(0.2) %
Other expense (income)	95	(89)	N.M.	0.1%	(0.1) %
Income before income taxes	7,408	5,459	35.7%	9.2%	7.2%
Income taxes*	2,707	2,115	28.0%	36.5%	38.7%
Net income	\$ 4,701	3,344	40.6%	5.9%	4.4%
Net income per share-basic	\$ 0.38	\$ 0.27	40.7%		
Net income per share-diluted	\$ 0.38	\$ 0.27	40.7%		
Average shares outstanding-basic	12,277	12,212	0.5%		
Average shares outstanding-diluted	12,456	12,404	0.4%		

PRESENTATION OF ADJUSTED NET INCOME, ADJUSTED INCOME TAXES AND EARNINGS PER SHARE (1)

	THREE MONTHS ENDED				
	Amounts		% Over (Under)	Percent of Sales	
	August 2, 2015	August 3, 2014		August 2, 2015	August 3, 2014
Income before income taxes (see above)	\$ 7,408	5,459	35.7%	9.2%	7.2%
Adjusted Income taxes (2)*	1,163	912	27.5%	15.7%	16.7%
Adjusted net income	6,245	4,547	37.3%	7.8%	6.0%
Adjusted net income per share-basic	\$ 0.51	\$ 0.37	37.8%		
Adjusted net income per share-diluted	\$ 0.50	\$ 0.37	35.1%		
Average shares outstanding-basic	12,277	12,212	0.5%		
Average shares outstanding-diluted	12,456	12,404	0.4%		

(1) Culp, Inc. currently does not incur cash income tax expense in the US due to its \$32.2 million in net operating loss carryforwards as of May 3, 2015. Therefore, adjusted net income is calculated using only income tax expense for our subsidiaries located in Canada and China. See reconciliation on page 8 of 8.

(2) Represents estimated income tax expense for our subsidiaries located in Canada and China. See reconciliation on page 8 of 8.

* 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, 2015, AUGUST 3, 2014, AND MAY 3, 2015
Unaudited
(Amounts in Thousands)

	Amounts		Increase (Decrease)		* May 3, 2015
	August 2, 2015	August 3, 2014	Dollars	Percent	
Current assets					
Cash and cash equivalents	\$ 25,933	24,665	1,268	5.1%	29,725
Short-term investments	6,336	6,311	25	0.4%	10,004
Accounts receivable	25,707	24,239	1,468	6.1%	28,749
Inventories	46,544	41,688	4,856	11.6%	42,484
Deferred income taxes	6,986	6,203	783	12.6%	4,790
Income taxes receivable	142	136	6	4.4%	229
Other current assets	3,502	2,308	1,194	51.7%	2,440
Total current assets	<u>115,150</u>	<u>105,550</u>	<u>9,600</u>	<u>9.1%</u>	<u>118,421</u>
Property, plant & equipment, net	37,480	31,891	5,589	17.5%	36,078
Goodwill	11,462	11,462	-	0.0%	11,462
Deferred income taxes	412	973	(561)	(57.7) %	447
Long-term Investments	2,893	1,749	1,144	65.4%	2,415
Other assets	2,475	2,587	(112)	(4.3) %	2,545
Total assets	<u>\$ 169,872</u>	<u>154,212</u>	<u>15,660</u>	<u>10.2%</u>	<u>171,368</u>
Current liabilities					
Current maturities of long-term debt	\$ 2,200	2,200	-	0.0%	2,200
Accounts payable - trade	28,233	24,458	3,775	15.4%	28,414
Accounts payable - capital expenditures	613	204	409	200.5%	990
Accrued expenses	7,731	6,365	1,366	21.5%	11,129
Income taxes payable - current	392	387	5	1.3%	325
Total current liabilities	<u>39,169</u>	<u>33,614</u>	<u>5,555</u>	<u>16.5%</u>	<u>43,058</u>
Income taxes payable - long-term	3,634	4,037	(403)	(10.0) %	3,792
Deferred income taxes	4,064	1,013	3,051	301.2%	1,050
Line of credit	-	569	(569)	(100.0) %	-
Deferred compensation	4,280	3,632	648	17.8%	4,041
Long-term debt , less current maturities	-	2,200	(2,200)	(100.0) %	-
Total liabilities	<u>51,147</u>	<u>45,065</u>	<u>6,082</u>	<u>13.5%</u>	<u>51,941</u>
Shareholders' equity	<u>118,725</u>	<u>109,147</u>	<u>9,578</u>	<u>8.8%</u>	<u>119,427</u>
Total liabilities and shareholders' equity	<u>\$ 169,872</u>	<u>154,212</u>	<u>15,660</u>	<u>10.2%</u>	<u>171,368</u>
Shares outstanding	<u>12,339</u>	<u>12,217</u>	<u>122</u>	<u>1.0%</u>	<u>12,219</u>

* Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED AUGUST 2, 2015 AND AUGUST 3, 2014
Unaudited
(Amounts in Thousands)

	THREE MONTHS ENDED	
	Amounts	
	August 2, 2015	August 3, 2014
Cash flows from operating activities:		
Net income	\$ 4,701	3,344
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,555	1,399
Amortization of other assets	47	47
Stock-based compensation	265	46
Deferred income taxes	1,641	1,193
Gain on sale of equipment	(46)	(45)
Excess tax benefits related to stock-based compensation	(788)	(99)
Foreign currency exchange gains	(57)	(201)
Changes in assets and liabilities:		
Accounts receivable	2,774	3,168
Inventories	(4,068)	(1,021)
Other current assets	(1,149)	40
Other assets	23	283
Accounts payable	(132)	(2,224)
Accrued expenses and deferred compensation	(3,870)	(1,855)
Income taxes	159	(24)
Net cash provided by operating activities	<u>1,055</u>	<u>4,051</u>
Cash flows from investing activities:		
Capital expenditures	(3,336)	(2,333)
Proceeds from the sale of equipment	104	391
Proceeds from the sale of short-term investments	3,612	-
Purchase of short-term investments	(33)	(27)
Purchase of long-term investments	(478)	(984)
Net cash used in investing activities	<u>(131)</u>	<u>(2,953)</u>
Cash flows from financing activities:		
Excess tax benefits related to stock-based compensation	788	99
Repurchase of common stock	-	(556)
Dividends paid	(5,676)	(5,502)
Proceeds from common stock issued	56	-
Net cash used in financing activities	<u>(4,832)</u>	<u>(5,959)</u>
Effect of exchange rate changes on cash and cash equivalents	116	223
Decrease in cash and cash equivalents	(3,792)	(4,638)
Cash and cash equivalents at beginning of period	<u>29,725</u>	<u>29,303</u>
Cash and cash equivalents at end of period	<u>\$ 25,933</u>	<u>24,665</u>
Free Cash Flow (1)	<u>\$ (1,751)</u>	<u>1,447</u>

(1) Free Cash Flow reconciliation is as follows:

	FY 2016	FY 2015
A) Net cash provided by operating activities	\$ 1,055	4,051
B) Minus: Capital Expenditures	(3,336)	(2,333)
C) Add: Proceeds from the sale of equipment	104	391
D) Add: Excess tax benefits related to stock-based compensation	788	99
E) Minus: Purchase of long-term investments	(478)	(984)
F) Effects of exchange rate changes on cash and cash equivalents	116	223

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE THREE MONTHS ENDED AUGUST 2, 2015 AND AUGUST 3, 2014
(Unaudited)
(Amounts in thousands)

	THREE MONTHS ENDED				
	Amounts			Percent of Total Sales	
	August 2, 2015	August 3, 2014	% Over (Under)	August 2, 2015	August 3, 2014
Net Sales by Segment					
Mattress Fabrics	\$ 47,808	42,822	11.6%	59.6%	56.3%
Upholstery Fabrics	32,377	33,238	(2.6) %	40.4%	43.7%
Net Sales	<u>\$ 80,185</u>	<u>76,060</u>	<u>5.4%</u>	<u>100.0%</u>	<u>100.0%</u>
Gross Profit by Segment					
			Gross Profit Margin		
Mattress Fabrics	\$ 9,925	7,202	37.8%	20.8%	16.8%
Upholstery Fabrics	6,277	5,513	13.9%	19.4%	16.6%
Gross Profit	<u>16,202</u>	<u>12,715</u>	<u>27.4%</u>	<u>20.2%</u>	<u>16.7%</u>
Selling, General and Administrative expenses by Segment					
			Percent of Sales		
Mattress Fabrics	\$ 2,923	2,574	13.6%	6.1%	6.0%
Upholstery Fabrics	3,595	3,452	4.1%	11.1%	10.4%
Unallocated Corporate expenses	2,223	1,393	59.6%	2.8%	1.8%
Selling, General and Administrative Expenses	<u>8,741</u>	<u>7,419</u>	<u>17.8%</u>	<u>10.9%</u>	<u>9.8%</u>
Operating Income (loss) by Segment					
			Operating Income (Loss) Margin		
Mattress Fabrics	\$ 7,003	4,629	51.3%	14.6%	10.8%
Upholstery Fabrics	2,681	2,060	30.1%	8.3%	6.2%
Unallocated corporate expenses	(2,223)	(1,393)	59.6%	(2.8) %	(1.8) %
Operating Income	<u>7,461</u>	<u>5,296</u>	<u>40.9%</u>	<u>9.3%</u>	<u>7.0%</u>
Return on Capital (1)					
Mattress Fabrics	39.5%	29.5%			
Upholstery Fabrics	65.0%	45.2%			
Unallocated Corporate	N/A	N/A			
Consolidated	<u>34.3%</u>	<u>26.0%</u>			
Capital Employed (2)					
Mattress Fabrics	71,349	62,936	13.4%		
Upholstery Fabrics	18,946	19,052	(0.6) %		
Unallocated Corporate	298	1,160	N/A		
Consolidated	<u>90,593</u>	<u>83,148</u>	<u>9.0%</u>		
Depreciation expense by Segment					
Mattress Fabrics	\$ 1,359	1,219	11.5%		
Upholstery Fabrics	196	180	8.9%		
Depreciation expense	<u>1,555</u>	<u>1,399</u>	<u>11.2%</u>		

Notes:

(1) See pages 6 and 7 of this financial information release for calculations.

(2) The capital employed balances are as of August 2, 2015 and August 3, 2014.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA
FOR THE TWELVE MONTHS ENDED AUGUST 2, 2015 AND AUGUST 3, 2014
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

	Quarter Ended				Trailing 12 Months 8/2/2015
	11/2/2014	2/1/2015	5/3/2015	8/2/2015	
Net income	\$ 3,001	\$ 3,812	\$ 4,913	\$ 4,701	\$ 16,427
Income taxes	1,889	2,110	1,772	2,707	8,478
Interest income, net	(153)	(202)	(128)	(42)	(525)
Depreciation and amortization expense	1,460	1,478	1,576	1,602	6,116
Stock based compensation	245	191	304	265	1,005
Adjusted EBITDA	<u>\$ 6,442</u>	<u>\$ 7,389</u>	<u>\$ 8,437</u>	<u>\$ 9,233</u>	<u>\$ 31,501</u>
	Quarter Ended				Trailing 12 Months 8/3/2014
	10/27/2013	1/26/2014	4/27/2014	8/3/2014	
Net income	\$ 3,096	\$ 8,381	\$ 2,740	\$ 3,344	\$ 17,561
Income taxes	1,718	(3,807)	1,380	2,115	1,406
Interest income, net	(3)	(57)	(43)	(74)	(177)
Depreciation and amortization expense	1,373	1,370	1,394	1,446	5,583
Stock based compensation	224	175	159	46	604
Adjusted EBITDA	<u>\$ 6,408</u>	<u>\$ 6,062</u>	<u>\$ 5,630</u>	<u>\$ 6,877</u>	<u>\$ 24,977</u>
% Over (Under)	<u>0.5%</u>	<u>21.9%</u>	<u>49.9%</u>	<u>34.3%</u>	<u>26.1%</u>

CULP, INC. FINANCIAL INFORMATION RELEASE
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE THREE MONTHS ENDED AUGUST 2, 2015
(Amounts in Thousands)
(Unaudited)

	Operating Income		
	Three Months Ended	Average Capital	Return on
	August 2, 2015 (1)	Employed (3)	Avg. Capital Employed (2)
Mattress Fabrics	\$ 7,003	\$ 70,911	39.5%
Upholstery Fabrics	2,681	16,486	65.0%
(less: Unallocated Corporate)	(2,223)	(488)	N/A
Total	\$ 7,461	\$ 86,909	34.3%

Average Capital Employed

	As of the three Months Ended August 2, 2015				As of the three Months Ended May 3, 2015			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	91,614	33,795	44,463	169,872	89,066	32,838	49,464	171,368
Total liabilities	(20,265)	(14,849)	(16,033)	(51,147)	(18,594)	(18,812)	(14,535)	(51,941)
Subtotal	\$ 71,349	\$ 18,946	\$ 28,430	\$ 118,725	\$ 70,472	\$ 14,026	\$ 34,929	\$ 119,427
Less:								
Cash and cash equivalents	-	-	(25,933)	(25,933)	-	-	(29,725)	(29,725)
Short-term investments	-	-	(6,336)	(6,336)	-	-	(10,004)	(10,004)
Long-term investments	-	-	(2,893)	(2,893)	-	-	(2,415)	(2,415)
Income taxes receivable	-	-	(142)	(142)	-	-	(229)	(229)
Deferred income taxes - current	-	-	(6,986)	(6,986)	-	-	(4,790)	(4,790)
Deferred income taxes - non-current	-	-	(412)	(412)	-	-	(447)	(447)
Current maturities of long-term debt	-	-	2,200	2,200	-	-	2,200	2,200
Income taxes payable - current	-	-	392	392	-	-	325	325
Income taxes payable - long-term	-	-	3,634	3,634	-	-	3,792	3,792
Deferred income taxes - non-current	-	-	4,064	4,064	-	-	1,050	1,050
Deferred compensation	-	-	4,280	4,280	-	-	4,041	4,041
Total Capital Employed	\$ 71,349	\$ 18,946	\$ 298	\$ 90,593	\$ 70,472	\$ 14,026	\$ (1,273)	\$ 83,225
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total				
Average Capital Employed (3)	\$ 70,911	\$ 16,486	\$ (488)	\$ 86,909				

Notes:

- (1) See reconciliation per page 4 of this financial information release.
- (2) Return on average capital employed represents operating income for the three month period ending August 2, 2015 times four 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 investments, current maturities of long-term debt, current and noncurrent deferred tax assets and liabilities, income taxes receivable and payable, and deferred compensation.
- (3) Average capital employed was computed using the two periods ending August 2, 2015 and May 3, 2015.

CULP, INC. FINANCIAL INFORMATION RELEASE
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE THREE MONTHS ENDED AUGUST 3, 2014
(Amounts in Thousands)
(Unaudited)

	Operating Income		
	Three Months Ended	Average Capital	Return on
	August 3, 2014 (1)	Employed (3)	Avg. Capital Employed (2)
Mattress Fabrics	\$ 4,629	\$ 62,697	29.5%
Upholstery Fabrics	2,060	18,236	45.2%
(less: Unallocated Corporate)	(1,393)	661	N/A
Total	\$ 5,296	\$ 81,593	26.0%

Average Capital Employed

	As of the three Months Ended August 3, 2014				As of the three Months Ended April 27, 2014			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	81,400	30,520	42,292	154,212	79,055	34,987	46,893	160,935
Total liabilities	(18,464)	(11,468)	(15,133)	(45,065)	(16,598)	(17,568)	(15,025)	(49,191)
Subtotal	\$ 62,936	\$ 19,052	\$ 27,159	\$ 109,147	\$ 62,457	\$ 17,419	\$ 31,868	\$ 111,744
Less:								
Cash and cash equivalents	-	-	(24,665)	(24,665)	-	-	(29,303)	(29,303)
Short-term investments	-	-	(6,311)	(6,311)	-	-	(6,294)	(6,294)
Long-term investments	-	-	(1,749)	(1,749)	-	-	(765)	(765)
Income taxes receivable	-	-	(136)	(136)	-	-	(121)	(121)
Deferred income taxes - current	-	-	(6,203)	(6,203)	-	-	(6,230)	(6,230)
Deferred income taxes - non-current	-	-	(973)	(973)	-	-	(2,040)	(2,040)
Current maturities of long-term debt	-	-	2,200	2,200	-	-	2,200	2,200
Line of credit	-	-	569	569	-	-	586	586
Income taxes payable - current	-	-	387	387	-	-	442	442
Income taxes payable - long-term	-	-	4,037	4,037	-	-	3,962	3,962
Deferred income taxes - non-current	-	-	1,013	1,013	-	-	1,013	1,013
Deferred compensation	-	-	3,632	3,632	-	-	2,644	2,644
Long-term debt, less current maturities	-	-	2,200	2,200	-	-	2,200	2,200
Total Capital Employed	\$ 62,936	\$ 19,052	\$ 1,160	\$ 83,148	\$ 62,457	\$ 17,419	\$ 162	\$ 80,038

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed (3)	\$ 62,697	\$ 18,236	\$ 661	\$ 81,593

Notes:

- (1) See reconciliation per page 4 of this financial information release.
- (2) Return on average capital employed represents operating income for the three month period ending August 3, 2014 times four 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 investments, long-term debt, including current maturities, line of credit, current and noncurrent deferred tax assets and liabilities, income taxes receivable and payable, and deferred compensation.
- (3) Average capital employed was computed using the two periods ending August 3, 2014 and April 27, 2014.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED ADJUSTED EFFECTIVE INCOME TAX RATE, NET INCOME AND EARNINGS PER SHARE
FOR THE THREE MONTHS ENDED AUGUST 2, 2015 AND AUGUST 3, 2014
Unaudited
(Amounts in Thousands)

		THREE MONTHS ENDED	
		Amounts	
		August 2, 2015	August 3, 2014
Consolidated Effective GAAP Income Tax Rate	(1)	36.5%	38.7%
Non-Cash U.S. Income Tax Expense		(20.5)%	(21.2)%
Non-Cash Foreign Income Tax Expense		(0.3)%	(0.8)%
Consolidated Adjusted Effective Income Tax Rate	(2)	15.7%	16.7%

		THREE MONTHS ENDED					
		As reported August 2, 2015	Adjustments	As Adjusted August 2, 2015	As reported August 3, 2014	Adjustments	As Adjusted August 3, 2014
Income before income taxes		\$ 7,408		\$ 7,408	\$ 5,459		\$ 5,459
Income taxes (3)		2,707	\$ (1,544)	1,163	2,115	\$ (1,203)	912
Net income		\$ 4,701	\$ 1,544	\$ 6,245	\$ 3,344	\$ 1,203	\$ 4,547
Net income per share-basic		\$ 0.38	\$ 0.13	\$ 0.51	\$ 0.27	\$ 0.10	\$ 0.37
Net income per share-diluted		\$ 0.38	\$ 0.12	\$ 0.50	\$ 0.27	\$ 0.10	\$ 0.37
Average shares outstanding-basic		12,277	12,277	12,277	12,212	12,212	12,212
Average shares outstanding-diluted		12,456	12,456	12,456	12,404	12,404	12,404

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

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

(3) Adjusted income taxes calculated using the Consolidated Adjusted Effective Income Tax Rate as reflected above.

