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

FORM 8-K

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

Date of Report (Date of earliest event reported) August 30, 2016

Culp, Inc.

(Exact Name of Registrant as Specified in its Charter)

North Carolina	1-12597	56-1001967
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(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 15, 2016 for the fiscal year ended May 1, 2016.

Item 2.02 – Results of Operations and Financial Condition

On August 30, 2016, we issued a news release to announce our financial results for our first quarter ended July 31, 2016. The news release is attached hereto as Exhibit 99(a).

Also on August 30, 2016, we released a Financial Information Release containing additional financial information and disclosures about our first quarter ended July 31, 2016. 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, minus payments on life insurance policies, plus excess tax benefits related to stock-based compensation, minus the purchase of long-term investments, 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 may 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 August 30, 2016

99(b) Financial Information Release dated August 30, 2016

SIGNATURES

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

CULP, INC.
(Registrant)

By:	**/s/ Kenneth R. Bowling** **Chief Financial Officer** **(principal financial officer)**
By:	**/s/ Thomas B. Gallagher, Jr.** **Corporate Controller** **(principal accounting officer)**

Dated: August 30, 2016

EXHIBIT INDEX

Exhibit Number	Exhibit
99(a)	News Release dated August 30, 2016
99(b)	Financial Information Release dated August 30, 2016

Exhibit 99(a)

CULP

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 2017

HIGH POINT, N.C. (August 30, 2016) ─ Culp, Inc. (NYSE: CFI) today reported financial and operating results for the first quarter ended July 31, 2016.

Fiscal 2017 First Quarter Highlights

- Net sales were $80.7 million, up 0.6 percent over the prior year, with mattress fabric sales up 5.7 percent and upholstery fabric sales down 6.9 percent.
- Pre-tax income was $8.5 million, up 15 percent compared with $7.4 million for the prior year period.
- Net income (GAAP) was $5.3 million, or $0.43 per diluted share, compared with net income of $4.7 million, or $0.38 per diluted share, in the prior year period.
- Adjusted net income (non-GAAP) was $7.0 million, or $0.56 per diluted share, for the current quarter, compared with $6.2 million, or $0.50 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.)
- The company's financial position remained strong with cash and cash equivalents and short term investments of $48.0 million and $7.0 million outstanding on the company's line of credit as of July 31, 2016, for a net cash position of $41.0 million, compared with $42.1 million of net cash at the end of last fiscal year.
- Annualized consolidated return on capital was 38 percent compared with 34 percent in the prior year period.
- The company paid a cash dividend of $0.07 per share and a special cash dividend of $0.21 per share during the quarter, totaling $3.4 million. Since June 2011, the company has returned a total of approximately $43 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

Financial Outlook

- The projection for the second quarter of fiscal 2017 is for overall sales to be flat to slightly higher as compared with the same period last year. Pre-tax income is expected to be in the range of $6.6 million to $7.1 million. Pre-tax income for the second quarter of fiscal 2016 was $6.1 million.
- The company expects fiscal 2017 to be another good year for free cash flow even after the planned approximately $12 million in capital expenditures.

Overview

For the first quarter ended July 31, 2016, net sales were $80.7 million, compared with $80.2 million a year ago. The company reported net income of $5.3 million, or $0.43 per diluted share, for the first quarter of fiscal 2017, compared with net income of $4.7 million, or $0.38 per diluted share, for the first quarter of fiscal 2016.

Given the volatility in income tax during fiscal 2016 and previous years, the company is 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 a 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 two to three more years, due to approximately $18.0 million in U.S. net operating loss carryforwards as of the end of fiscal 2016. For the first quarter of fiscal 2017, adjusted net income was $7.0 million, or $0.56 per diluted share, compared with $6.2 million, or $0.50 per diluted share, for the first quarter of fiscal 2016. On a pre-tax basis, the company reported income of $8.5 million, compared with $7.4 million for the first quarter of fiscal 2016.

Commenting on the results, Frank Saxon, president and chief executive officer of Culp, Inc., said, “We are pleased to report a strong first quarter for Culp in fiscal 2017, highlighted by better than expected sales in mattress fabrics and an improved operating performance in both of our businesses. Our total sales were in line with expectations and were up slightly compared with very strong first quarter sales a year ago.

“Our strategic focus on creative designs, innovation and exceptional customer service continues to drive both businesses. Our scalable and global manufacturing platform supports our ability to deliver these products in an efficient manner and continue to meet changing customer demand. Importantly, we have the financial strength to make the strategic investments to enhance our operations and support our growth strategy and return funds to shareholders,” added Saxon.

Mattress Fabric Segment

Mattress fabric sales for the first quarter were $50.5 million, up 5.7 percent compared with $47.8 million for the first quarter of fiscal 2016.

“Our mattress fabric business experienced a strong performance in the first quarter of fiscal 2017 as results exceeded our expectations,” said Iv Culp, president of Culp’s mattress fabric division. “We are pleased with the consistent execution of our strategic plan and our year over year top line increase in a seasonally high selling season compared with a strong first quarter sales performance last year. Our outstanding designs and innovative product offering, backed by exceptional customer service, are the key drivers of our performance and provide a strong competitive advantage for Culp in the mattress fabric industry.

“From product design to final delivery, we are doing a great job in executing our diversification strategy to offer a full complement of fabrics and sewn covers across most price points and style trends. Notably, our mattress cover business, known as CLASS, continued to perform well, and we are excited about the additional sales opportunities ahead for mattress covers. CLASS allows us to design our product offerings from fabric to finished cover and expand our business with our traditional customers and also target new market segments, especially the fast growing Internet bedding space.

“We have continued to make important strategic investments to enhance our operations and improve our product delivery performance. Our operating results for the first quarter confirm the value of these investments with increased capacity, enhanced finishing capabilities and overall improved efficiency and throughput. We also benefited from lower input costs. We remain on track with the latest expansion projects in our North Carolina facilities to add more production capacity, expand our design and administrative facilities, and significantly enhance our distribution capabilities. Additionally, phase two of our Canadian expansion project is underway, including new equipment installations and enhanced finishing capabilities. Importantly, our new Canadian distribution platform, expected to commence operations in the second half of fiscal 2017, will allow us to ship directly to our customers in Canada. Together, these major investments will significantly enhance our ability to serve all of our customers and strengthen Culp’s leadership position in North America. Importantly, as we grow our business, we are also highly focused on our quality processes, and we have added key leadership positions to our operations team with responsibility for continuous improvement initiatives.

“Looking ahead, the fundamentals of our mattress fabric business are solid, and we have an excellent infrastructure to support our continued growth and innovation. While we see some uncertainty with respect to demand trends for the rest of fiscal 2017, Culp has a solid competitive position, and we will continue to be strategic in targeting customers who value our innovation and compelling 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 Fabric Segment

Sales for this segment were $30.2 million for the first quarter, compared with sales of $32.4 million in the first quarter of fiscal 2016.

"Our upholstery fabric sales were somewhat below expectations for the first quarter of fiscal 2017, while our operating results showed solid improvement over the same period last year," noted Boyd Chumbley, president of Culp's upholstery fabric division. "Our sales were affected by softer retail demand and our customer mix strategy.

"Overall, we are pleased with the consistent execution of our product-driven strategy with an unrelenting focus on creative designs and innovation. At the same time, we are succeeding with our plan to diversify both our customer and product mix to enhance our profitability. Our China platform supports these marketing efforts with the flexibility to adapt to changing furniture market trends and consumer style preferences. China produced fabrics accounted for 92 percent of Culp's upholstery fabric sales during the first quarter. Our improved operating performance also reflects a stable cost environment as well as a more favorable currency exchange rate in China compared with a year ago.

"We are proud of our reputation as an innovative and trusted industry leader. Our creative designs and new product introductions continue to resonate with our global customer base. The recent launch of Culp's 'performance' line of highly durable, stain-resistant fabrics has been well received in the market with strong placements. As we have continued to drive innovation, we are further enhancing our competitive position with outstanding products and service for our customers. We look forward to the opportunities ahead for our upholstery fabric business in fiscal 2017, especially as consumer demand trends improve," concluded Chumbley.

Balance Sheet

"Maintaining a strong financial position is one of Culp's top priorities for fiscal 2017," added Ken Bowling, senior vice president and chief financial officer of Culp, Inc. "As of the end of the first quarter, we reported $48.0 million in cash and cash equivalents and short-term investments compared with $32.3 million a year ago. As planned, the company borrowed funds to mitigate our foreign exchange exposure, with $7.0 million outstanding on our line of credit at the end of the first quarter, leaving a net cash position of $41.0 million, compared with $42.1 million of net cash at the end of last fiscal year. The slight decrease in our net cash position was achieved despite spending $3.1 million on capital expenditures and $3.4 million on dividends. Free cash flow was $2.2 million, compared with a negative $1.8 million for the first quarter of fiscal 2016. The year over year improvement in free cash flow was due primarily to improved working capital management, especially inventory. With our expected good cash flow in fiscal 2017, we plan to reduce our outstanding debt as quickly as possible. We are also pleased with the continued gains in return on capital, as operating income improved 16 percent compared to the previous year, while capital employed increased only four percent.

"Consistent with our capital allocation strategy, the company paid a $0.21 per share special dividend during the first quarter, along with the regular quarterly dividend of $0.07 per share, totaling $3.4 million. For fiscal 2017, capital expenditures are currently projected to be approximately $12.0 million, along with modest growth in working capital."

Dividends and Share Repurchases

The company also announced that the Board of Directors approved the payment of the company's quarterly cash dividend of $0.07 per share. This payment will be made on October 17, 2016, to shareholders of record as of October 3, 2016. Future dividend payments are subject to Board approval and may be adjusted at the Board's discretion as business needs or market conditions change.

The company did not repurchase any shares during the first quarter of fiscal 2017, leaving $5.0 million available under the share repurchase program approved by the Board in June 2016.

Since June 2011, the company has returned approximately $43 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

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Financial Outlook

Commenting on the outlook for the second quarter of fiscal 2017, Saxon remarked, "We expect overall sales to be flat to slightly higher as compared with the second quarter of last year.

"We expect sales in our mattress fabric segment to be moderately higher compared with the second quarter in fiscal 2016. Operating income is also expected to moderately increase, while margins in this segment are expected to be slightly higher as compared to the same period a year ago.

"In our upholstery fabric segment, we expect sales to be flat to slightly lower as compared to the same time last year, as we anticipate a continuing weak retail environment for furniture sales. Operating income and margins are expected to be flat to slightly higher compared with the same period a year ago.

"Considering these factors, the company expects to report pre-tax income for the second fiscal quarter of 2017 in the range of $6.6 million to $7.1 million. Pre-tax income for last year's second quarter was $6.1 million.

"With respect to the full year, capital expenditures for fiscal 2017 are currently expected to be approximately $12.0 million, mostly related to expansion and efficiency improvement projects for mattress fabrics. Additionally, the company expects another good year of free cash flow, even with the anticipated high level of capital expenditures and modest growth in working capital."

In closing, Saxon remarked, "We are pleased with the solid start for Culp in fiscal 2017. Going forward, we are well positioned to build on this success with our outstanding design capabilities, favorable product mix, scalable global manufacturing platform and reputation for outstanding customer service. At the same time, we have a strong financial position and the flexibility to continue to drive innovation, enhance our operations and pursue strategic initiatives. Above all, we are committed to outstanding performance for our customers as a financially stable and trusted source for innovative fabrics. We look forward to the opportunities before us in fiscal 2017."

About the Company

Culp, Inc. is one of the world's largest marketers of mattress fabrics for bedding and upholstery fabrics for residential and commercial furniture. The company markets a variety of fabrics to its global customer base of leading bedding and furniture companies, including fabrics produced at Culp's manufacturing facilities and fabrics sourced through 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 15, 2016 for the fiscal year ended May 1, 2016. In addition, please note that the company is not responsible for changes made to this release by wire services, internet services, or other media.

CULP, INC.
Condensed Financial Highlights
(Unaudited)

	Three Months Ended	
	July 31, 2016	**August 2, 2015**
Net sales	$ 80,682,000	$ 80,185,000
Income before income taxes	$ 8,546,000	$ 7,408,000
Net income	$ 5,313,000	$ 4,701,000
Net income per share:		
Basic	$ 0.43	$ 0.38
Diluted	$ 0.43	$ 0.38
Adjusted net income	$ 7,025,000	$ 6,245,000
Adjusted net income per share:		
Basic	$ 0.57	$ 0.51
Diluted	$ 0.56	$ 0.50
Average shares outstanding:		
Basic	12,286,000	12,277,000
Diluted	12,463,000	12,456,000

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

	Three Months Ended	
	July 31, 2016	**August 2, 2015**
Income before income taxes	$ 8,546,000	$ 7,408,000
Adjusted income taxes (2)	$ 1,521,000	$ 1,163,000
Adjusted net income	$ 7,025,000	$ 6,245,000

(1) Culp, Inc. currently does not incur cash income tax expense in the U.S. due to its estimated $18.0 million in net operating loss carryforwards as of May 1, 2016. Therefore, adjusted net income is calculated using only income tax expense for the company's subsidiaries in Canada and China.

(2) Represents estimated income tax expense for the company's subsidiaries in Canada and China, calculated with a consolidated adjusted effective income tax rate of 17.8% for fiscal 2017 and 15.7% for fiscal 2016.

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Consolidated Adjusted Effective Income Tax Rate, Net Income and Earnings Per Share
For the Three Months Ended July 31, 2016, and August 2, 2015
(Unaudited)
(Amounts in Thousands)

		THREE MONTHS ENDED	
		Amounts	
		July 31, 2016	**August 2, 2015**
Consolidated Effective GAAP Income Tax Rate	(1)	**37.8 %**	**36.5 %**
Non-Cash U.S. Income Tax Expense		**(19.6)%**	**(20.5)%**
Non-Cash Foreign Income Tax Expense		**(0.4)%**	**(0.3)%**
Consolidated Adjusted Effective Income Tax Rate	(2)	**17.8 %**	**15.7 %**

	THREE MONTHS ENDED					
	As reported July 31, 2016	Adjustments	**As Adjusted July 31, 2016**	**As reported August 2, 2015**	Adjustments	**As Adjusted August 2, 2015**
Income before income taxes	**$ 8,546**		**$ 8,546**	**$ 7,408**		**$ 7,408**
Income taxes (3)	**3,233**	$ (1,712)	**1,521**	**2,707**	$ (1,544)	**1,163**
Net income	**$ 5,313**	$ 1,712	**$ 7,025**	**$ 4,701**	$ 1,544	**$ 6,245**
Net income per share-basic	**$ 0.43**	$ 0.14	**$ 0.57**	**$ 0.38**	$ 0.13	**$ 0.51**
Net income per share-diluted	**$ 0.43**	$ 0.14	**$ 0.56**	**$ 0.38**	$ 0.12	**$ 0.50**
Average shares outstanding-basic	**12,286**	**12,286**	**12,286**	**12,277**	**12,277**	**12,277**
Average shares outstanding-diluted	**12,463**	**12,463**	**12,463**	**12,456**	**12,456**	**12,456**

(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 July 31, 2016, and August 2, 2015
(Unaudited)
(Amounts in thousands)

Free Cash Flow Reconciliation

	Three Months Ended July 31, 2016	Three Months Ended August 2, 2015
Net cash provided by operating activities	$ 5,752	$ 1,055
Minus: Capital Expenditures	(3,139)	(3,336)
Add: Proceeds from the sale of equipment	-	104
Add: Excess tax benefits related to stock-based compensation	167	788
Minus: Purchase of long-term investments	(559)	(478)
Effects of exchange rate changes on cash and cash equivalents	(4)	116
Free Cash Flow	$ 2,217	$ (1,751)

Return on Capital Reconciliation

	Three Months Ended July 31, 2016	Three Months Ended August 2, 2015
Consolidated Income from Operations	$ 8,673	$ 7,461
Average Capital Employed (2)	92,478	86,909
Return on Average Capital Employed (1)	37.5%	34.3%

Average Capital Employed

	July 31, 2016	May 1, 2016	August 2, 2015	May 3, 2015
Total assets	$ 183,360	$ 175,142	$ 166,880	$ 171,300
Total liabilities	(51,925)	(46,330)	(48,155)	(51,873)
Subtotal	$ 131,435	$ 128,812	$ 118,725	$ 119,427
Less:				
Cash and cash equivalents	(45,549)	(37,787)	(25,933)	(29,725)
Short-term investments	(2,434)	(4,359)	(6,336)	(10,004)
Long-term investments	(4,611)	(4,025)	(2,893)	(2,415)
Income taxes receivable	-	(155)	(142)	(229)
Deferred income taxes - non-current	(1,942)	(2,319)	(4,406)	(5,169)
Current maturities of long-term debt	-	-	2,200	2,200
Income taxes payable - current	358	180	392	325
Income taxes payable - long-term	3,779	3,841	3,634	3,792
Deferred income taxes - non-current	1,532	1,483	1,072	982
Line of credit	7,000	-	-	-
Deferred compensation	5,031	4,686	4,280	4,041
Total Capital Employed	$ 94,599	$ 90,357	$ 90,593	$ 83,225
Average Capital Employed (2)	$ 92,478		$ 86,909	

Notes:

(1) Return on average capital employed represents operating income for the three month period ending July 31, 2016, or 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, line of credit, noncurrent deferred tax assets and liabilities, income taxes receivable and payable, and deferred compensation.

(2) Average capital employed used for the three months ending July 31, 2016, was computed using the two quarterly periods ending July 31, 2016, and May 1, 2016.
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.

-END-

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF NET INCOME
FOR THE THREE MONTHS ENDED JULY 31, 2016, AND AUGUST 2, 2015
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED				
	Amounts			Percent of Sales	
	July 31, 2016	August 2, 2015	% Over (Under)	**July 31, 2016**	August 2, 2015
Net sales	**$ 80,682**	80,185	0.6%	**100.0%**	100.0%
Cost of sales	**62,263**	63,983	(2.7)%	**77.2%**	79.8%
Gross profit	**18,419**	16,202	13.7%	**22.8%**	20.2%
Selling, general and administrative expenses	**9,746**	8,741	11.5%	**12.1%**	10.9%
Income from operations	**8,673**	7,461	16.2%	**10.7%**	9.3%
Interest expense	**-**	24	(100.0)%	**0.0%**	0.0%
Interest income	**(25)**	(66)	(62.1)%	**(0.0)%**	(0.1)%
Other expense	**152**	95	60.0%	**0.2%**	0.1%
Income before income taxes	**8,546**	7,408	15.4%	**10.6%**	9.2%
Income taxes*	**3,233**	2,707	19.4%	**37.8%**	36.5%
Net income	**$ 5,313**	4,701	13.0%	**6.6%**	5.9%
Net income per share-basic	**$ 0.43**	$ 0.38	13.2%		
Net income per share-diluted	**$ 0.43**	$ 0.38	13.2%		
Average shares outstanding-basic	**12,286**	12,277	0.1%		
Average shares outstanding-diluted	**12,463**	12,456	0.1%		

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

	THREE MONTHS ENDED				
	Amounts			Percent of Sales	
	July 31, 2016	August 2, 2015	% Over (Under)	**July 31, 2016**	August 2, 2015
Income before income taxes (see above)	**$ 8,546**	7,408	15.4%	**10.6%**	9.2%
Adjusted Income taxes (2)*	**1,521**	1,163	30.8%	**17.8%**	15.7%
Adjusted net income	**7,025**	6,245	12.5%	**8.7%**	7.8%
Adjusted net income per share-basic	**$ 0.57**	$ 0.51	11.8%		
Adjusted net income per share-diluted	**$ 0.56**	$ 0.50	12.0%		
Average shares outstanding-basic	**12,286**	12,277	0.1%		
Average shares outstanding-diluted	**12,463**	12,456	0.1%		

(1) Culp, Inc. currently does not incur cash income tax expense in the U.S. due to its estimated $18.0 million in net operating loss carryforwards as of May 1, 2016. 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
JULY 31, 2016, AUGUST 2, 2015, AND MAY 1, 2016
Unaudited
(Amounts in Thousands)

	Amounts		Increase (Decrease)		
	July 31, 2016	August 2, 2015	Dollars	Percent	* May 1, 2016
Current assets					
Cash and cash equivalents	$ **45,549**	25,933	19,616	75.6%	37,787
Short-term investments	**2,434**	6,336	(3,902)	(61.6)%	4,359
Accounts receivable	**22,690**	25,707	(3,017)	(11.7)%	23,481
Inventories	**48,131**	46,544	1,587	3.4%	46,531
Income taxes receivable	-	142	(142)	(100.0)%	155
Other current assets	**2,294**	3,502	(1,208)	(34.5)%	2,477
Total current assets	**121,098**	108,164	12,934	12.0%	114,790
Property, plant & equipment, net	**41,745**	37,480	4,265	11.4%	39,973
Goodwill	**11,462**	11,462	-	0.0%	11,462
Deferred income taxes	**1,942**	4,406	(2,464)	(55.9)%	2,319
Long-term Investments	**4,611**	2,893	1,718	59.4%	4,025
Other assets	**2,502**	2,475	27	1.1%	2,573
Total assets	$ **183,360**	166,880	16,480	9.9%	175,142
Current liabilities					
Current maturities of long-term debt	$ -	2,200	(2,200)	(100.0)%	-
Accounts payable - trade	**26,708**	28,233	(1,525)	(5.4)%	23,994
Accounts payable - capital expenditures	**627**	613	14	2.3%	224
Accrued expenses	**6,890**	7,731	(841)	(10.9)%	11,922
Income taxes payable - current	**358**	392	(34)	(8.7)%	180
Total current liabilities	**34,583**	39,169	(4,586)	(11.7)%	36,320
Income taxes payable - long-term	**3,779**	3,634	145	4.0%	3,841
Deferred income taxes	**1,532**	1,072	460	42.9%	1,483
Line of credit	**7,000**	-	7,000	100.0%	-
Deferred compensation	**5,031**	4,280	751	17.5%	4,686
Total liabilities	**51,925**	48,155	3,770	7.8%	46,330
Shareholders' equity	**131,435**	118,725	12,710	10.7%	128,812
Total liabilities and shareholders' equity	$ **183,360**	166,880	16,480	9.9%	175,142
Shares outstanding	**12,307**	12,339	(32)	(0.3)%	12,265

** Derived from audited financial statements.*

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JULY 31, 2016 AND AUGUST 2, 2015
Unaudited
(Amounts in Thousands)

	THREE MONTHS ENDED	
	Amounts	
	July 31, 2016	August 2, 2015
Cash flows from operating activities:		
Net income	$ **5,313**	4,701
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**1,761**	1,555
Amortization of other assets	**52**	47
Stock-based compensation	**761**	265
Deferred income taxes	**593**	1,641
Realized loss on sale of short-term investments	**12**	-
Loss (gain) on sale of equipment	**9**	(46)
Excess tax benefits related to stock-based compensation	**(167)**	(788)
Foreign currency exchange gains	**(62)**	(57)
Changes in assets and liabilities:		
Accounts receivable	**611**	2,774
Inventories	**(1,808)**	(4,068)
Other current assets	**158**	(1,149)
Other assets	**19**	23
Accounts payable	**3,036**	(132)
Accrued expenses and deferrred compensation	**(4,911)**	(3,870)
Income taxes	**375**	159
Net cash provided by operating activities	**5,752**	1,055
Cash flows from investing activities:		
Capital expenditures	**(3,139)**	(3,336)
Proceeds from the sale of equipment	-	104
Proceeds from the sale of short-term investments	**2,000**	3,612
Purchase of short-term investments	**(21)**	(33)
Purchase of long-term investments	**(559)**	(478)
Net cash used in investing activities	**(1,719)**	(131)
Cash flows from financing activities:		
Proceeds from line of credit	**7,000**	-
Excess tax benefits related to stock-based compensation	**167**	788
Dividends paid	**(3,445)**	(5,676)
Proceeds from common stock issued	**11**	56
Net cash provided by (used in) financing activities	**3,733**	(4,832)
Effect of exchange rate changes on cash and cash equivalents	**(4)**	116
Increase (decrease) in cash and cash equivalents	**7,762**	(3,792)
Cash and cash equivalents at beginning of period	**37,787**	29,725
Cash and cash equivalents at end of period	$ **45,549**	25,933
Free Cash Flow (1)	$ **2,217**	(1,751)

(1) Free Cash Flow reconciliation is as follows:

	FY 2017	FY 2016
A) Net cash provided by operating activities	$ **5,752**	1,055
B) Minus: Capital Expenditures	**(3,139)**	(3,336)
C) Add: Proceeds from the sale of equipment	-	104
D) Add: Excess tax benefits related to stock-based compensation	**167**	788
E) Minus: Purchase of long-term investments	**(559)**	(478)
F) Effects of exchange rate changes on cash and cash equivalents	**(4)**	116

	$ 2,217	(1,751)

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE THREE MONTHS ENDED JULY 31, 2016 AND AUGUST 2, 2015
(Unaudited)

(Amounts in thousands)

	THREE MONTHS ENDED				
	Amounts			Percent of Total Sales	
Net Sales by Segment	**July 31, 2016**	August 2, 2015	% Over (Under)	**July 31, 2016**	August 2, 2015
Mattress Fabrics	$ **50,530**	47,808	5.7%	**62.6%**	59.6%
Upholstery Fabrics	**30,152**	32,377	(6.9)%	**37.4%**	40.4%
Net Sales	$ **80,682**	80,185	0.6%	**100.0%**	100.0%
Gross Profit by Segment				Gross Profit Margin	
Mattress Fabrics	$ **11,901**	9,925	19.9%	**23.6%**	20.8%
Upholstery Fabrics	**6,518**	6,277	3.8%	**21.6%**	19.4%
Gross Profit	**18,419**	16,202	13.7%	**22.8%**	20.2%
Selling, General and Administrative expenses by Segment				Percent of Sales	
Mattress Fabrics	$ **3,499**	2,923	19.7%	**6.9%**	6.1%
Upholstery Fabrics	**3,534**	3,595	(1.7)%	**11.7%**	11.1%
Unallocated Corporate expenses	**2,713**	2,223	22.0%	**3.4%**	2.8%
Selling, General and Administrative Expenses	**9,746**	8,741	11.5%	**12.1%**	10.9%
Operating Income (loss) by Segment				Operating Income (Loss) Margin	
Mattress Fabrics	$ **8,402**	7,003	20.0%	**16.6%**	14.6%
Upholstery Fabrics	**2,984**	2,681	11.3%	**9.9%**	8.3%
Unallocated corporate expenses	**(2,713)**	(2,223)	22.0%	**(3.4)%**	(2.8)%
Operating Income	**8,673**	7,461	16.2%	**10.7%**	9.3%
Return on Capital (1)					
Mattress Fabrics	**44.4%**	39.5%			
Upholstery Fabrics	**69.7%**	65.0%			
Unallocated Corporate	**N/A**	N/A			
Consolidated	**37.5%**	34.3%			
Capital Employed (2)					
Mattress Fabrics	**76,646**	71,349	7.4%		
Upholstery Fabrics	**17,221**	18,946	(9.1)%		
Unallocated Corporate	**732**	298	N/A		
Consolidated	**94,599**	90,593	4.4%		
Depreciation expense by Segment					
Mattress Fabrics	$ **1,556**	1,359	14.5%		
Upholstery Fabrics	**205**	196	4.6%		
Depreciation expense	**1,761**	1,555	13.2%		

Notes:

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

(2) The capital employed balances are as of July 31, 2016 and August 2, 2015.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA
FOR THE TWELVE MONTHS ENDED JULY 31, 2016 AND AUGUST 2, 2015
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

	Quarter Ended				Trailing 12 Months
	11/1/2015	1/31/2016	5/1/2016	7/31/2016	7/31/2016
Net income	$ 3,771	$ 4,862	$ 3,601	$ 5,313	$ 17,547
Income taxes	2,373	2,317	3,566	3,233	11,489
Interest income, net	(69)	(38)	(26)	(25)	(158)
Depreciation and amortization expense	1,668	1,741	1,830	1,813	7,052
Stock based compensation	1,074	625	778	761	3,238
Adjusted EBITDA	$ 8,817	$ 9,507	$ 9,749	$ 11,095	$ 39,168

	Quarter Ended				Trailing 12 Months
	11/2/2014	2/1/2015	5/3/2015	8/2/2015	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	$ 6,442	$ 7,389	$ 8,437	$ 9,233	$ 31,501
% Over (Under)	36.9%	28.7%	15.6%	20.2%	24.3%

CULP, INC. FINANCIAL INFORMATION RELEASE
RETURN ON CAPITAL EMPLOYED BY SEGMENT
FOR THE THREE MONTHS ENDED JULY 31, 2016
(Amounts in Thousands)
(Unaudited)

	Operating Income Three Months Ended July 31, 2016 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	$ 8,402	$ 75,642	44.4%
Upholstery Fabrics	2,984	17,123	69.7%
(less: Unallocated Corporate)	(2,713)	(287)	N/A
Total	$ 8,673	$ 92,478	37.5%

Average Capital Employed	**As of the three Months Ended July 31, 2016**				**As of the three Months Ended May 1, 2016**			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	92,959	33,550	56,851	183,360	94,878	29,463	50,801	175,142
Total liabilities	(16,313)	(16,329)	(19,283)	(51,925)	(20,241)	(12,438)	(13,651)	(46,330)
Subtotal	$ 76,646	$ 17,221	$ 37,568	$ 131,435	$ 74,637	$ 17,025	$ 37,150	$ 128,812
Less:								
Cash and cash equivalents	-	-	(45,549)	(45,549)	-	-	(37,787)	(37,787)
Short-term investments	-	-	(2,434)	(2,434)	-	-	(4,359)	(4,359)
Long-term investments	-	-	(4,611)	(4,611)	-	-	(4,025)	(4,025)
Income taxes receivable	-	-	-	-	-	-	(155)	(155)
Deferred income taxes - non-current	-	-	(1,942)	(1,942)	-	-	(2,319)	(2,319)
Income taxes payable - current	-	-	358	358	-	-	180	180
Income taxes payable - long-term	-	-	3,779	3,779	-	-	3,841	3,841
Deferred income taxes - non-current	-	-	1,532	1,532	-	-	1,483	1,483
Line of credit	-	-	7,000	7,000	-	-	-	-
Deferred compensation	-	-	5,031	5,031	-	-	4,686	4,686
Total Capital Employed	$ 76,646	$ 17,221	$ 732	$ 94,599	$ 74,637	$ 17,025	$ (1,305)	$ 90,357

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed (3)	$ 75,642	$ 17,123	$ (287)	$ 92,478

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 July 31, 2016 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, noncurrent deferred tax assets and liabilities, income taxes receivable and payable, line of credit, and deferred compensation.

(3) Average capital employed was computed using the two periods ending July 31, 2016 and May 1, 2016.

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 August 2, 2015 (1)	Average Capital Employed (3)	Return on 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	41,471	166,880	89,066	32,838	49,396	171,300
Total liabilities	(20,265)	(14,849)	(13,041)	(48,155)	(18,594)	(18,812)	(14,467)	(51,873)
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 - non-current	-	-	(4,406)	(4,406)	-	-	(5,169)	(5,169)
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	-	-	1,072	1,072	-	-	982	982
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, 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
CONSOLIDATED ADJUSTED EFFECTIVE INCOME TAX RATE,
NET INCOME AND EARNINGS PER SHARE
FOR THE THREE MONTHS ENDED JULY 31, 2016 AND AUGUST 2, 2015
Unaudited
(Amounts in Thousands)

		THREE MONTHS ENDED	
		Amounts	
		July 31, 2016	August 2, 2015
Consolidated Effective GAAP Income Tax Rate	(1)	**37.8%**	36.5%
Non-Cash U.S. Income Tax Expense		**(19.6)%**	(20.5)%
Non-Cash Foreign Income Tax Expense		**(0.4)%**	(0.3)%
Consolidated Adjusted Effective Income Tax Rate	(2)	**17.8%**	15.7%

	THREE MONTHS ENDED					
	As reported July 31, 2016	Adjustments	**As Adjusted July 31, 2016**	**As reported August 2, 2015**	Adjustments	**As Adjusted August 2, 2015**
Income before income taxes	**$ 8,546**		**$ 8,546**	**$ 7,408**		**$ 7,408**
Income taxes (3)	**3,233**	$ (1,712)	**1,521**	**2,707**	$ (1,544)	**1,163**
Net income	**$ 5,313**	$ 1,712	**$ 7,025**	**$ 4,701**	$ 1,544	**$ 6,245**
Net income per share-basic	**$ 0.43**	$ 0.14	**$ 0.57**	**$ 0.38**	$ 0.13	**$ 0.51**
Net income per share-diluted	**$ 0.43**	$ 0.14	**$ 0.56**	**$ 0.38**	$ 0.12	**$ 0.50**
Average shares outstanding-basic	**12,286**	**12,286**	**12,286**	**12,277**	**12,277**	**12,277**
Average shares outstanding-diluted	**12,463**	**12,463**	**12,463**	**12,456**	**12,456**	**12,456**

(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.