

**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) March 1, 2016

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 March 1, 2016, we issued a news release to announce our financial results for our third quarter and nine months ended January 31, 2016. The news release is attached hereto as Exhibit 99(a).

Also on March 1, 2016, we released a Financial Information Release containing additional financial information and disclosures about our third quarter and nine months ended January 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 March 1, 2016

99(b) Financial Information Release dated March 1, 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: March 1, 2016

EXHIBIT INDEX

Exhibit Number

Exhibit

99(a)

News Release dated March 1, 2016

99(b)

Financial Information Release dated March 1, 2016



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 THIRD QUARTER FISCAL 2016

Company Declares Regular Quarterly Cash Dividend of \$0.07 Per Share

HIGH POINT, N.C. (March 1, 2016) — Culp, Inc. (NYSE: CFI) today reported financial and operating results for the third quarter and nine months ended January 31, 2016.

Fiscal 2016 Third Quarter Highlights

- Net sales were \$78.5 million, down 3.4 percent, with mattress fabric sales down 3.1 percent and upholstery fabric sales down 3.9 percent, compared with an exceptionally strong sales performance for both divisions in the third quarter last year.
- Pre-tax income was \$7.2 million, up 21 percent compared with \$5.9 million in the third quarter of fiscal 2015.
- Adjusted net income (non-GAAP) was \$5.9 million, or \$0.47 per diluted share, for the current quarter, compared with \$5.0 million, or \$0.40 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 7).
- Net income (GAAP) was \$4.9 million, or \$0.39 per diluted share, compared with net income of \$3.8 million, or \$0.31 per diluted share, in the prior year period.
- The company purchased 110,776 shares of Culp common stock, representing nearly 1.0 percent of outstanding shares, for \$2.4 million at an average price of \$23.79 per share.
- The company's financial position remained strong with cash and cash equivalents and short-term investments of \$36.0 million, even after spending \$19.6 million in dividends, capital expenditures, debt repayments and share repurchases through the first nine months of fiscal 2016.

Fiscal 2016 Year to Date Highlights

- Year to date net sales were \$235.6 million, up 1.9 percent from the same period a year ago, with mattress fabric sales up 4.5 percent and upholstery fabric sales down 1.7 percent over the same period a year ago.
- Pre-tax income was \$20.7 million, up 27 percent compared with \$16.3 million for the same period last year.
- Adjusted net income (non-GAAP) was \$17.0 million, or \$1.36 per diluted share, compared with \$13.8 million, or \$1.11 per diluted share, for the prior year period.
- Net income (GAAP) was \$13.3 million, or \$1.07 per diluted share, compared with net income of \$10.2 million, or \$0.82 per diluted share, for the same period a year ago.
- Consolidated return on capital was 32 percent, compared with 27 percent for the same period a year ago.
- Capital expenditures for the year to date period totaled \$7.7 million, almost all of which related to the mattress fabrics segment, compared with \$8.2 million a year ago.

Guidance for Fourth Quarter and Fiscal 2016

- The projection for the fourth quarter of fiscal 2016 is for overall sales to be comparable with the previous year's fourth quarter. Pre-tax income for the fourth quarter of fiscal 2016 is expected to be in the range of \$6.7 million to \$7.2 million. Pre-tax income for the fourth quarter of fiscal 2015 was \$6.7 million.
- The projection for the full year is for overall sales to be slightly higher than last year.
- Pre-tax income for the full year is expected to be \$27.5 million to \$28.0 million, compared with \$23.0 million last fiscal year. The highest annual pre-tax income in the company's history was the \$23.0 million achieved last fiscal year.

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Overview

For the third quarter ended January 31, 2016, net sales were \$78.5 million, a 3.4 percent decrease compared with \$81.3 million a year ago. The company reported net income of \$4.9 million, or \$0.39 per diluted share, for the third quarter of fiscal 2016, compared with net income of \$3.8 million, or \$0.31 per diluted share, for the third quarter of fiscal 2015. 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 7). 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 \$33 million in U.S. net operating loss carryforwards as of the end of fiscal 2015. For the third quarter of fiscal 2016, adjusted net income was \$5.9 million, or \$0.47 per diluted share, compared with \$5.0 million, or \$0.40 per diluted share, for the third quarter of fiscal 2015. On a pre-tax basis, the company reported income of \$7.2 million compared with pre-tax income of \$5.9 million for the third quarter of fiscal 2015.

Commenting on the results, Frank Saxon, president and chief executive officer of Culp, Inc., said, "We continued to drive improvement in our operating performance in the third quarter. While we have achieved higher overall year-over-year sales through the first nine months of fiscal 2016, we did experience a slight drop in the third quarter compared with the prior year period, which was an exceptionally strong sales performance for both businesses. We have remained focused on our top strategic priorities – to drive product innovation and creativity throughout our company and provide a product mix that meets the demands of our customers. Our efficient and flexible manufacturing platform supports this strategy, and we continue to make the right investments to improve our operating efficiencies and overall capacity. Overall, we have seen significant improvement in our profitability this fiscal year. Importantly, we also have the financial strength to support our growth strategy as well as provide added value to shareholders through dividends and share repurchases."

Mattress Fabric Segment

Mattress fabric sales for the third quarter were \$44.3 million, down 3.1 percent compared with \$45.7 million for the third quarter of fiscal 2015, while year to date sales were up 4.5 percent.

"While our sales were slightly lower than last year for the third quarter, we have continued to deliver a consistent and strong operating performance in fiscal 2016," said Iv Culp, president of Culp's mattress fabrics division. "Our sales for the third quarter were affected by several factors, including a significant weather event at the end of the quarter, which affected our production and shipment schedules. In addition, we experienced a timing difference related to customer roll-outs of new product lines that typically occur in our third quarter as they did the previous year. We expect to recognize that business in the fourth quarter of fiscal 2016 following the Presidents Day holiday mattress promotional events. In spite of these factors, we continued to outpace the overall mattress industry growth, and we are pleased with our ability to respond to changing customer demand trends. Our mirrored manufacturing platform, technical expertise and expanded reactive capacity support our ability to meet this demand with excellent service and delivery performance.

"We are encouraged by the execution of our operating strategy as we continue to realize the benefits of our recent capital investments with increased capacity via newer, more efficient equipment, enhanced finishing capabilities and better overall throughput. As planned, we completed the initial phase of our expansion project in our Canadian location, and we plan to install additional new equipment and make other technological improvements throughout our manufacturing platform during the fourth quarter. These investments demonstrate Culp's commitment to our customers, and we look forward to the opportunities to drive further operational improvement.

"Design and innovation remain our top priorities to meet customer style preferences and demand trends. As such, we are in the process of enhancing our design services and facilities to further our value proposition. Additionally, we had an excellent showing at the January Las Vegas bedding market, with strong placements, especially in the premium product lines. We are also pleased to see the continued contribution from our mattress cover business. With our complete array of innovative fabrics and mattress covers across all price points, Culp is well positioned for another solid performance in fiscal 2016," Culp concluded.

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Upholstery Fabric Segment

Sales for this segment were \$34.2 million for the third quarter, down 3.9 percent compared with sales of \$35.6 million in the third quarter of fiscal 2015. Sales for the year to date period were down 1.7 percent.

“As expected, our sales for the third quarter were slightly lower compared with the same period last year, which was an exceptionally strong quarterly performance for upholstery fabric sales,” noted Boyd Chumbley, executive vice president of Culp’s upholstery fabrics division. “However, we achieved significant improvement in our operating income and margins for the third quarter compared with the prior year period. We continue to benefit from our strategic focus on product innovation and sales diversification. Our changing product mix resulted in greater operating efficiency and capacity utilization in our China cut and sew operation.

“Customer response has been very favorable to our creative designs and diverse range of innovative products. Our flexible global platform supports our marketing efforts and allows us to quickly respond to changing market trends and consumer style preferences. Sales of China produced fabrics accounted for 92 percent of upholstery fabric sales in the third quarter.

“While the short-term outlook is challenging given the current uncertainties in the global economy, we believe we are well positioned for the long-term. An improving U.S. housing market, low interest rates, higher employment rates and lower gasoline prices are all positive economic indicators that support higher consumer spending for home furnishings. As market conditions evolve, we expect to benefit from more favorable demand trends and look forward to the opportunities ahead,” added Chumbley.

Balance Sheet

“Our strong financial position continues to be an important advantage for Culp in fiscal 2016,” added Ken Bowling, chief financial officer of Culp. “As of January 31, 2016, we reported \$36.0 million in cash equivalents and short-term investments, even after spending \$19.6 million in dividends, capital expenditures, debt repayments and share repurchases through the first nine months of fiscal 2016. We have the financial strength to continue to make the strategic investments to support our growth strategy and return funds to our shareholders.”

Quarterly Dividend and Share Repurchase Program

During the third quarter of fiscal 2016, the company purchased 100,776 shares of Culp common stock, representing nearly one percent of outstanding shares, for \$2.4 million at an average price of \$23.79 per share, pursuant to the \$5.0 million share repurchase program authorized by the Board of Directors in February 2014. This leaves approximately \$1.9 million available for additional share repurchases.

Since June 2011, the company has returned a total of \$39 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

The company announced that its Board of Directors has approved the payment of a quarterly cash dividend of \$0.07 per share. This compares with \$0.06 per share paid for the same period last year, reflecting an increase of 17 percent. The dividend is to be paid on or about April 15, 2016, to shareholders of record as of the close of business on April 1, 2016. The \$0.07 per share is an annual indicated dividend of \$0.28 per share.

Outlook

Commenting on the outlook for the fourth quarter of fiscal 2016, Saxon remarked, “At this time, we expect overall sales to be comparable with the fourth quarter of last fiscal year, which was a strong quarter. For the year, we expect overall fiscal 2016 annual sales to be slightly higher than last year’s annual sales.

“We expect fourth quarter sales in our mattress fabric business to be comparable with the same period a year ago, which was up 10 percent compared to the prior year. Operating income and margins in this segment are expected to be flat to slightly lower than the same period last year.

“For the full fiscal year, we expect mattress fabric sales to be two to four percent higher than fiscal 2015, and operating income and margins are expected to be significantly higher than last fiscal year.

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“In our upholstery fabric business, we expect fourth quarter sales to be comparable with the previous year’s fourth quarter results. We believe the upholstery fabric segment’s operating income and margins will be moderately higher compared with the same quarter of last year.

“For the full fiscal year, we expect upholstery fabric sales to be comparable with last fiscal year. Operating income and margins in this segment are expected to be substantially higher than last year.

“Considering these factors, the company expects to report pre-tax income for the fourth quarter in the range of \$6.7 million to \$7.2 million. Pre-tax income for last year’s fourth quarter was \$6.7 million. For fiscal 2016 as a whole, we expect pre-tax income in the range of \$27.5 million to \$28.0 million, compared with \$23.0 million last fiscal year, which was the highest level achieved in the company’s history.

“Looking at the full year, capital expenditures for fiscal 2016 are expected to be approximately \$12.0 million, mostly related to expansion and efficiency improvement projects for mattress fabrics,” Saxon added. “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 our ability to consistently execute our strategy in fiscal 2016 with improved profitability in both businesses. We have maintained a strong competitive position with our creative designs, innovative product offerings, and a flexible and scalable global manufacturing platform that supports our ability to deliver these products. At the same time, we have continued to invest for the future to further enhance our operations and provide outstanding service to our global customer base. We look forward to the opportunities ahead for Culp. Above all, we are committed to outstanding performance for our customers as a financially stable and trusted source for innovative fabrics.”

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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 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		Nine Months Ended	
	January 31, 2016	February 1, 2015	January 31, 2016	February 1, 2015
Net sales	\$ 78,466,000	\$ 81,269,000	\$ 235,607,000	\$ 231,320,000
Income before income taxes	\$ 7,179,000	\$ 5,922,000	\$ 20,731,000	\$ 16,270,000
Net income	\$ 4,862,000	\$ 3,812,000	\$ 13,333,000	\$ 10,157,000
Net income per share:				
Basic	\$ 0.39	\$ 0.31	\$ 1.08	\$ 0.83
Diluted	\$ 0.39	\$ 0.31	\$ 1.07	\$ 0.82
Adjusted net income	\$ 5,901,000	\$ 5,016,000	\$ 17,041,000	\$ 13,781,000
Adjusted net income per share				
Basic	\$ 0.48	\$ 0.41	\$ 1.38	\$ 1.13
Diluted	\$ 0.47	\$ 0.40	\$ 1.36	\$ 1.11
Average shares outstanding:				
Basic	12,331,000	12,219,000	12,317,000	12,216,000
Diluted	12,486,000	12,417,000	12,488,000	12,410,000

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

	Three Months Ended		Nine Months Ended	
	January 31, 2016	February 1, 2015	January 31, 2016	February 1, 2015
Income before income taxes	\$ 7,179,000	\$ 5,922,000	\$ 20,731,000	\$ 16,270,000
Adjusted income taxes (2)	\$ 1,278,000	\$ 906,000	\$ 3,690,000	\$ 2,489,000
Adjusted net income	\$ 5,901,000	\$ 5,016,000	\$ 17,041,000	\$ 13,781,000

(1) Culp, Inc. currently does not incur cash income tax expense in the U.S. due to its \$33.3 million in net operating loss carryforwards as of May 3, 2015. Adjusted net income is calculated using only estimated cash 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 17.8% for fiscal 2016 and 15.3% for fiscal 2015.

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Consolidated Adjusted Effective Income Tax Rate, Net Income and Earnings Per Share
For the Nine Months Ended January 31, 2016, and February 1, 2015
(Unaudited)
(Amounts in Thousands)

NINE MONTHS ENDED			
Amounts			
		January 31, 2016	February 1, 2015
Consolidated Effective GAAP Income Tax Rate	(1)	35.7%	37.6%
Non-Cash U.S. Income Tax Expense		(17.9)%	(22.1)%
Non-Cash Foreign Income Tax Expense		0.0%	(0.2)%
Consolidated Adjusted Effective Income Tax Rate	(2)	17.8%	15.3%

THREE MONTHS ENDED							
		As reported January 31, 2016	Adjustments	January 31, 2016 Proforma Net of Adjustments	As reported February 1, 2015	Adjustments	February 1, 2015 Proforma Net of Adjustments
Income before income taxes	\$	7,179	\$ -	\$ 7,179	\$ 5,922		\$ 5,922
Income taxes (3)		2,317	\$ (1,039)	1,278	2,110	\$ (1,204)	906
Net income	\$	4,862	\$ 1,039	\$ 5,901	\$ 3,812	\$ 1,204	\$ 5,016
Net income per share-basic	\$	0.39	\$ 0.08	0.48	\$ 0.31	\$ 0.10	0.41
Net income per share-diluted	\$	0.39	\$ 0.08	0.47	\$ 0.31	\$ 0.10	0.40
Average shares outstanding-basic		12,331	12,331	12,331	12,219	12,219	12,219
Average shares outstanding-diluted		12,486	12,486	12,486	12,417	12,417	12,417

NINE MONTHS ENDED							
		As reported January 31, 2016	Adjustments	January 31, 2016 Proforma Net of Adjustments	As reported February 1, 2015	Adjustments	February 1, 2015 Proforma Net of Adjustments
Income before income taxes	\$	20,731	\$ -	\$ 20,731	\$ 16,270	\$ -	\$ 16,270
Income taxes (3)		7,398	\$ (3,708)	3,690	6,113	\$ (3,624)	2,489
Net income	\$	13,333	\$ 3,708	\$ 17,041	\$ 10,157	\$ 3,624	\$ 13,781
Net income per share-basic	\$	1.08	\$ 0.30	1.38	\$ 0.83	\$ 0.30	1.13
Net income per share-diluted	\$	1.07	\$ 0.30	1.36	\$ 0.82	\$ 0.29	1.11
Average shares outstanding-basic		12,317	12,317	12,317	12,216	12,216	12,216
Average shares outstanding-diluted		12,488	12,488	12,488	12,410	12,410	12,410

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

Reconciliation of Free Cash Flow
For the Nine Months Ended January 31, 2016, and February 1, 2015

(Unaudited)

(Amounts in thousands)

	<u>Nine Months Ended</u> <u>January 31, 2016</u>	<u>Nine Months Ended</u> <u>February 1, 2015</u>
Net cash provided by operating activities	\$ 15,876	\$ 20,699
Minus: Capital Expenditures	(7,686)	(8,185)
Add: Proceeds from the sale of equipment	230	625
Add: Proceeds from life insurance policies	-	320
Minus: Payments on life insurance policies	(18)	(18)
Minus: Purchase of long-term investments	(1,268)	(1,298)
Add: Excess tax benefits related to stock-based compensation	822	110
Effect of exchange rate changes on cash and cash equivalents	<u>289</u>	<u>(458)</u>
 Free Cash Flow	 <u>\$ 8,245</u>	 <u>\$ 11,795</u>

-MORE-

Reconciliation of Return on Capital
For the Nine Months Ended January 31, 2016, and February 1, 2015

(Unaudited)

(Amounts in thousands)

	Nine Months Ended January 31, 2016				Nine Months Ended February 1, 2015	
Consolidated Income from Operations	\$ 20,986				\$ 16,222	
Average Capital Employed (2)	<u>88,275</u>				<u>81,065</u>	
Return on Average Capital Employed (1)	<u>31.7%</u>				<u>26.7%</u>	
Average Capital Employed						
	January 31, 2016	November 1, 2015	August 2, 2015			May 3, 2015
Total assets	\$ 173,551	\$ 168,947	\$ 166,879			\$ 171,300
Total liabilities	<u>(48,477)</u>	<u>(45,972)</u>	<u>(48,154)</u>			<u>(51,873)</u>
Subtotal	\$ 125,074	\$ 122,975	\$ 118,725			\$ 119,427
Less:						
Cash and cash equivalents	(31,713)	(31,176)	(25,933)			(29,725)
Short-term investments	(4,259)	(6,320)	(6,336)			(10,004)
Long-term investments	(3,590)	(3,279)	(2,893)			(2,415)
Income taxes receivable	(23)	(75)	(142)			(229)
Deferred income taxes - non-current	(4,312)	(3,415)	(4,405)			(5,169)
Current maturities of long-term debt	-	-	2,200			2,200
Income taxes payable - current	622	305	392			325
Income taxes payable - long-term	3,480	3,655	3,634			3,792
Deferred income taxes - non-current	1,209	1,206	1,071			982
Deferred compensation	4,495	4,421	4,280			4,041
Total Capital Employed	<u>\$ 90,983</u>	<u>\$ 88,297</u>	<u>\$ 90,593</u>			<u>\$ 83,225</u>
Average Capital Employed (2)	<u>\$ 88,275</u>					
	February 1, 2015	November 2, 2014	August 3, 2014			April 27, 2014
Total assets	\$ 165,358	\$ 156,163	\$ 154,218			\$ 160,928
Total liabilities	<u>(50,386)</u>	<u>(44,489)</u>	<u>(45,071)</u>			<u>(49,184)</u>
Subtotal	\$ 114,972	\$ 111,674	\$ 109,147			\$ 111,744
Less:						
Cash and cash equivalents	(28,772)	(28,953)	(24,665)			(29,303)
Short-term investments	(8,384)	(6,318)	(6,311)			(6,294)
Long-term investments	(2,063)	(1,911)	(1,749)			(765)
Income taxes receivable	(104)	-	(136)			(121)
Deferred income taxes - non-current	(5,020)	(6,200)	(7,182)			(8,263)
Current maturities of long-term debt	2,200	2,200	2,200			2,200
Line of credit	-	-	569			586
Income taxes payable - current	325	268	387			442
Income taxes payable - long-term	3,630	3,980	4,037			3,962
Deferred income taxes - non-current	927	896	1,019			1,006
Deferred compensation	3,934	3,794	3,632			2,644
Long-term debt, less current maturities	-	-	2,200			2,200
Total Capital Employed	<u>\$ 81,645</u>	<u>\$ 79,430</u>	<u>\$ 83,148</u>			<u>\$ 80,038</u>
Average Capital Employed (2)	<u>\$ 81,065</u>					

Notes:

(1) Return on average capital employed represents operating income for the nine month period ending January 31, 2016, or February 1, 2015, divided by three quarters 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, noncurrent deferred tax assets and liabilities, income taxes receivable and payable, and deferred compensation.

(2) Average capital employed used for the nine months ending January 31, 2016, was computed using the four quarterly periods ending January 31, 2016, November 1, 2015, August 2, 2015 and May 3, 2015.

Average capital employed used for the nine months ending February 1, 2015, was computed using the four quarterly periods ending February 1, 2015, November 2, 2014, August 3, 2014, and April 27, 2014.

-END-

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF NET INCOME
FOR THREE MONTHS ENDED JANUARY 31, 2016 AND FEBRUARY 1, 2015
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED				
	Amounts			Percent of Sales	
	January 31, 2016	February 1, 2015	% Over (Under)	January 31, 2016	February 1, 2015
Net sales	\$ 78,466	81,269	(3.4)%	100.0%	100.0%
Cost of sales	61,903	66,867	(7.4)%	78.9%	82.3%
Gross profit	16,563	14,402	15.0%	21.1%	17.7%
Selling, general and administrative expenses	9,337	8,375	11.5%	11.9%	10.3%
Income from operations	7,226	6,027	19.9%	9.2%	7.4%
Interest income	(38)	(202)	(81.2)%	(0.0)%	(0.2)%
Other expense	85	307	(72.3)%	0.1%	0.4%
Income before income taxes	7,179	5,922	21.2%	9.1%	7.3%
Income taxes*	2,317	2,110	9.8%	32.3%	35.6%
Net income	\$ 4,862	3,812	27.5%	6.2%	4.7%
Net income per share-basic	\$ 0.39	\$ 0.31	25.8%		
Net income per share-diluted	\$ 0.39	\$ 0.31	25.8%		
Average shares outstanding-basic	12,331	12,219	0.9%		
Average shares outstanding-diluted	12,486	12,417	0.6%		

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

	THREE MONTHS ENDED				
	Amounts			Percent of Sales	
	January 31, 2016	February 1, 2015	% Over (Under)	January 31, 2016	February 1, 2015
Income before income taxes (see above)	\$ 7,179	5,922	21.2%	9.1%	7.3%
Adjusted Income taxes (2)*	1,278	906	41.1%	17.8%	15.3%
Adjusted net income	5,901	5,016	17.6%	7.5%	6.2%
Adjusted net income per share-basic	\$ 0.48	\$ 0.41	17.1%		
Adjusted net income per share-diluted	\$ 0.47	\$ 0.40	17.5%		
Average shares outstanding-basic	12,331	12,219	0.9%		
Average shares outstanding-diluted	12,486	12,417	0.6%		

(1) Culp, Inc. currently does not incur cash income tax expense in the US due to its \$33.3 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 10 of 10.

(2) Represents estimated income tax expense for our subsidiaries located in Canada and China. See reconciliation on page 10 of 10.

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

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF NET INCOME
FOR THE NINE MONTHS ENDED JANUARY 31, 2016 AND FEBRUARY 1, 2015
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

	NINE MONTHS ENDED				
	Amounts			Percent of Sales	
	January 31, 2016	February 1, 2015	% Over (Under)	January 31, 2016	February 1, 2015
Net sales	\$ 235,607	231,320	1.9%	100.0%	100.0%
Cost of sales	187,109	191,925	(2.5)%	79.4%	83.0%
Gross profit	48,498	39,395	23.1%	20.6%	17.0%
Selling, general and administrative expenses	27,512	23,173	18.7%	11.7%	10.0%
Income from operations	20,986	16,222	29.4%	8.9%	7.0%
Interest expense	-	50	(100.0)%	0.0%	0.0%
Interest income	(150)	(478)	(68.6)%	(0.1)%	(0.2)%
Other expense	405	380	6.6%	0.2%	0.2%
Income before income taxes	20,731	16,270	27.4%	8.8%	7.0%
Income taxes*	7,398	6,113	21.0%	35.7%	37.6%
Net income	\$ 13,333	10,157	31.3%	5.7%	4.4%
Net income per share-basic	\$ 1.08	\$ 0.83	30.1		
Net income per share-diluted	\$ 1.07	\$ 0.82	30.5		
Average shares outstanding-basic	12,317	12,216	0.8		
Average shares outstanding-diluted	12,488	12,410	0.6		

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

	NINE MONTHS ENDED				
	Amounts			Percent of Sales	
	January 31, 2016	February 1, 2015	% Over (Under)	January 31, 2016	February 1, 2015
Income before income taxes (see above)	\$ 20,731	16,270	27.4%	8.8%	7.0%
Adjusted Income taxes (2)*	3,690	2,489	48.3%	17.8%	15.3%
Adjusted net income	17,041	13,781	23.7%	7.2%	6.0%
Adjusted net income per share-basic	\$ 1.38	\$ 1.13	22.1%		
Adjusted net income per share-diluted	\$ 1.36	\$ 1.11	22.5%		
Average shares outstanding-basic	12,317	12,216	0.8%		
Average shares outstanding-diluted	12,488	12,410	0.6%		

(1) Culp, Inc. currently does not incur cash income tax expense in the US due to its \$33.3 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 10 of 10.

(2) Represents estimated income tax expense for our subsidiaries located in Canada and China. See reconciliation on page 10 of 10.

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

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
JANUARY 31, 2016, FEBRUARY 1, 2015, AND MAY 3, 2015
Unaudited
(Amounts in Thousands)

	<u>Amounts</u>		<u>Increase (Decrease)</u>		<u>* May 3, 2015</u>
	<u>January 31, 2016</u>	<u>February 1, 2015</u>	<u>Dollars</u>	<u>Percent</u>	
Current assets					
Cash and cash equivalents	\$ 31,713	28,772	2,941	10.2%	29,725
Short-term investments	4,259	8,384	(4,125)	(49.2)%	10,004
Accounts receivable	26,784	30,774	(3,990)	(13.0)%	28,749
Inventories	48,485	38,013	10,472	27.5%	42,484
Income taxes receivable	23	104	(81)	(77.9)%	229
Other current assets	2,331	2,992	(661)	(22.1)%	2,440
Total current assets	<u>113,595</u>	<u>109,039</u>	<u>4,556</u>	<u>4.2%</u>	<u>113,631</u>
Property, plant & equipment, net	38,157	35,269	2,888	8.2%	36,078
Goodwill	11,462	11,462	-	0.0%	11,462
Deferred income taxes	4,312	5,020	(708)	(14.1)%	5,169
Long-term Investments	3,590	2,063	1,527	74.0%	2,415
Other assets	2,435	2,505	(70)	(2.8)%	2,545
Total assets	<u>\$ 173,551</u>	<u>165,358</u>	<u>8,193</u>	<u>5.0%</u>	<u>171,300</u>
Current liabilities					
Current maturities of long-term debt	\$ -	2,200	(2,200)	(100.0)%	2,200
Accounts payable - trade	25,601	28,644	(3,043)	(10.6)%	28,414
Accounts payable - capital expenditures	380	772	(392)	(50.8)%	990
Accrued expenses	12,690	9,954	2,736	27.5%	11,129
Income taxes payable - current	622	325	297	91.4%	325
Total current liabilities	<u>39,293</u>	<u>41,895</u>	<u>(2,602)</u>	<u>(6.2)%</u>	<u>43,058</u>
Income taxes payable - long-term	3,480	3,630	(150)	(4.1)%	3,792
Deferred income taxes	1,209	927	282	30.4%	982
Deferred compensation	4,495	3,934	561	14.3%	4,041
Total liabilities	<u>48,477</u>	<u>50,386</u>	<u>(1,909)</u>	<u>(3.8)%</u>	<u>51,873</u>
Shareholders' equity	<u>125,074</u>	<u>114,972</u>	<u>10,102</u>	<u>8.8%</u>	<u>119,427</u>
Total liabilities and shareholders' equity	<u>\$ 173,551</u>	<u>165,358</u>	<u>8,193</u>	<u>5.0%</u>	<u>171,300</u>
Shares outstanding	<u>12,250</u>	<u>12,219</u>	<u>31</u>	<u>0.3%</u>	<u>12,219</u>

* Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 31, 2016 AND FEBRUARY 1, 2015
Unaudited
(Amounts in Thousands)

	NINE MONTHS ENDED	
	Amounts	
	January 31, 2016	February 1, 2015
Cash flows from operating activities:		
Net income	\$ 13,333	10,157
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,888	4,244
Amortization of other assets	123	140
Stock-based compensation	1,964	482
Deferred income taxes	1,906	3,274
Gain on sale of equipment	(66)	(74)
Realized loss on sale of short-term investments	127	-
Excess tax benefits related to stock-based compensation	(822)	(110)
Foreign currency exchange gains	(85)	(6)
Changes in assets and liabilities:		
Accounts receivable	1,091	(3,455)
Inventories	(6,485)	2,536
Other current assets	(108)	(739)
Other assets	48	(30)
Accounts payable	(1,979)	2,267
Accrued expenses and deferred compensation	1,406	2,121
Income taxes	535	(108)
Net cash provided by operating activities	<u>15,876</u>	<u>20,699</u>
Cash flows from investing activities:		
Capital expenditures	(7,686)	(8,185)
Proceeds from the sale of equipment	230	625
Proceeds from life insurance policies	-	320
Payments on life insurance policies	(18)	(18)
Proceeds from the sale of short-term investments	5,612	1,628
Purchase of short-term investments	(86)	(3,719)
Purchase of long-term investments	(1,268)	(1,298)
Net cash used in investing activities	<u>(3,216)</u>	<u>(10,647)</u>
Cash flows from financing activities:		
Proceeds from line of credit	7,000	-
Payments on line of credit	(7,000)	(538)
Payments on long-term debt	(2,200)	(2,200)
Repurchase of common stock	(2,397)	(745)
Dividends paid	(7,281)	(6,846)
Payments on debt issuance costs	(43)	-
Proceeds from common stock issued	138	94
Excess tax benefits related to stock-based compensation	822	110
Net cash used in financing activities	<u>(10,961)</u>	<u>(10,125)</u>
Effect of exchange rate changes on cash and cash equivalents	289	(458)
Increase (decrease) in cash and cash equivalents	1,988	(531)
Cash and cash equivalents at beginning of period	29,725	29,303
Cash and cash equivalents at end of period	<u>\$ 31,713</u>	<u>28,772</u>
Free Cash Flow (1)	<u>\$ 8,245</u>	<u>11,795</u>

(1) Free Cash Flow reconciliation is as follows:

	FY 2016	FY 2015
A) Net cash provided by operating activities	\$ 15,876	20,699
B) Minus: Capital Expenditures	(7,686)	(8,185)
C) Add: Proceeds from the sale of equipment	230	625
D) Add: Proceeds from life insurance policies	-	320
E) Minus: Payments on life insurance policies	(18)	(18)

F) Add: Excess tax benefits related to stock-based compensation	822	110
G) Minus: Purchase of long-term investments	(1,268)	(1,298)
H) Effects of exchange rate changes on cash and cash equivalents	289	(458)
	<u>8,245</u>	<u>11,795</u>
	<u>\$ 8,245</u>	<u>11,795</u>

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE THREE MONTHS ENDED JANUARY 31, 2016 AND FEBRUARY 1, 2015
(Unaudited)
(Amounts in thousands)

	THREE MONTHS ENDED				
	Amounts			Percent of Total Sales	
	January 31, 2016	February 1, 2015	% Over (Under)	January 31, 2016	February 1, 2015
Net Sales by Segment					
Mattress Fabrics	\$ 44,277	45,683	(3.1)%	56.4%	56.2%
Upholstery Fabrics	34,189	35,586	(3.9)%	43.6%	43.8%
Net Sales	\$ 78,466	81,269	(3.4)%	100.0%	100.0%
Gross Profit by Segment					
Mattress Fabrics	\$ 8,751	8,076	8.4%	19.8%	17.7%
Upholstery Fabrics	7,812	6,326	23.5%	22.8%	17.8%
Gross Profit	\$ 16,563	14,402	15.0%	21.1%	17.7%
Selling, General and Administrative Expenses by Segment					
Mattress Fabrics	\$ 2,953	2,853	3.5%	6.7%	6.2%
Upholstery Fabrics	3,963	3,781	4.8%	11.6%	10.6%
Unallocated Corporate expenses	2,421	1,741	39.1%	3.1%	2.1%
Selling, General and Administrative Expenses	\$ 9,337	8,375	11.5%	11.9%	10.3%
Operating Income (loss) by Segment					
Mattress Fabrics	\$ 5,798	5,223	11.0%	13.1%	11.4%
Upholstery Fabrics	3,849	2,545	51.2%	11.3%	7.2%
Unallocated corporate expenses	(2,421)	(1,741)	39.1%	(3.1)%	(2.1)%
Operating income	\$ 7,226	6,027	19.9%	9.2%	7.4%
Depreciation by Segment					
Mattress Fabrics	\$ 1,490	1,244	19.8%		
Upholstery Fabrics	215	188	14.4%		
Depreciation	\$ 1,705	1,432	19.1%		

CULP, INC. FINANCIAL INFORMATION RELEASE
STATEMENTS OF OPERATIONS BY SEGMENT
FOR THE NINE MONTHS ENDED JANUARY 31, 2016 AND FEBRUARY 1, 2015
(Unaudited)
(Amounts in thousands)

	NINE MONTHS ENDED				
	Amounts			Percent of Total Sales	
	January 31, 2016	February 1, 2015	% Over (Under)	January 31, 2016	February 1, 2015
Net Sales by Segment					
Mattress Fabrics	\$ 137,522	131,543	4.5%	58.4%	56.9%
Upholstery Fabrics	98,085	99,777	(1.7)%	41.6%	43.1%
Net Sales	<u>\$ 235,607</u>	<u>231,320</u>	<u>1.9%</u>	<u>100.0%</u>	<u>100.0%</u>
Gross Profit by Segment					
Mattress Fabrics	\$ 28,133	22,603	24.5%	20.5%	17.2%
Upholstery Fabrics	20,365	16,792	21.3%	20.8%	16.8%
Gross Profit	<u>\$ 48,498</u>	<u>39,395</u>	<u>23.1%</u>	<u>20.6%</u>	<u>17.0%</u>
Selling, General and Administrative Expenses by Segment					
Mattress Fabrics	\$ 8,865	8,019	10.5%	6.4%	6.1%
Upholstery Fabrics	11,372	10,518	8.1%	11.6%	10.5%
Unallocated Corporate expenses	7,275	4,636	56.9%	3.1%	2.0%
Selling, General, and Administrative Expenses	<u>\$ 27,512</u>	<u>23,173</u>	<u>18.7%</u>	<u>11.7%</u>	<u>10.0%</u>
Operating Income (loss) by Segment					
Mattress Fabrics	\$ 19,267	14,584	32.1%	14.0%	11.1
Upholstery Fabrics	8,994	6,274	43.4%	9.2%	6.3
Unallocated corporate expenses	(7,275)	(4,636)	56.9%	(3.1)%	(2.0)%
Operating income	<u>\$ 20,986</u>	<u>16,222</u>	<u>29.4%</u>	<u>8.9%</u>	<u>7.0%</u>
Return on Capital (1)					
Mattress Fabrics	35.9%	30.7%			
Upholstery Fabrics	68.9%	48.2%			
Unallocated Corporate	N/A	N/A			
Consolidated	<u>31.7%</u>	<u>26.7%</u>			
Capital Employed (2)					
Mattress Fabrics	72,644	65,178	11.5%		
Upholstery Fabrics	19,623	16,834	16.6%		
Unallocated Corporate	(1,284)	(367)	N/A		
Consolidated	<u>90,983</u>	<u>81,645</u>	<u>11.4%</u>		
Depreciation by Segment					
Mattress Fabrics	\$ 4,273	3,692	15.7%		
Upholstery Fabrics	615	552	11.4%		
Depreciation	<u>\$ 4,888</u>	<u>4,244</u>	<u>15.2%</u>		

Notes:

(1) See pages 8 and 9 of this financial information release for calculations.

(2) The capital employed balances are as of January 31, 2016 and February 1, 2015.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2016 AND FEBRUARY 1, 2015
(UNAUDITED)
(AMOUNTS IN THOUSANDS)

	Quarter Ended				Trailing 12 Months 1/31/2016
	5/3/2015	8/2/2015	11/1/2015	1/31/2016	
Net income	\$ 4,913	\$ 4,701	\$ 3,771	\$ 4,862	\$ 18,247
Income taxes	1,772	2,707	2,373	2,317	9,169
Interest income, net	(128)	(42)	(69)	(38)	(277)
Depreciation and amortization expense	1,576	1,602	1,668	1,741	6,587
Stock based compensation	304	265	1,074	625	2,268
Adjusted EBITDA	<u>\$ 8,437</u>	<u>\$ 9,233</u>	<u>\$ 8,817</u>	<u>\$ 9,507</u>	<u>\$ 35,994</u>

	Quarter Ended				Trailing 12 Months 2/1/2015
	4/27/2014	8/3/2014	11/2/2014	2/1/2015	
Net income	\$ 2,740	\$ 3,344	\$ 3,001	\$ 3,812	\$ 12,897
Income taxes	1,380	2,115	1,889	2,110	7,494
Interest income, net	(43)	(74)	(153)	(202)	(472)
Depreciation and amortization expense	1,394	1,446	1,460	1,478	5,778
Stock based compensation	159	46	245	191	641
Adjusted EBITDA	<u>\$ 5,630</u>	<u>\$ 6,877</u>	<u>\$ 6,442</u>	<u>\$ 7,389</u>	<u>\$ 26,338</u>
% Over (Under)	<u>49.9%</u>	<u>34.3%</u>	<u>36.9%</u>	<u>28.7%</u>	<u>36.7%</u>

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

	Operating Income		
	Nine Months Ended January 31, 2016 (1)	Average Capital Employed (3)	Return on Avg. Capital Employed (2)
Mattress Fabrics	\$ 19,267	\$ 71,492	35.9%
Upholstery Fabrics	8,994	17,413	68.9%
(less: Unallocated Corporate)	(7,275)	(631)	N/A
Total	\$ 20,986	\$ 88,275	31.7%

Average Capital Employed	As of the three Months Ended January 31, 2016				As of the three Months Ended November 1, 2015				As of the three Months Ended August 2, 2015			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	93,779	33,975	45,797	173,551	90,730	32,187	46,030	168,947	91,614	33,795	41,470	166,879
Total liabilities	(21,135)	(14,352)	(12,990)	(48,477)	(19,228)	(15,129)	(11,615)	(45,972)	(20,265)	(14,849)	(13,040)	(48,154)
Subtotal	\$ 72,644	\$ 19,623	\$ 32,807	\$ 125,074	\$ 71,502	\$ 17,058	\$ 34,415	\$ 122,975	\$ 71,349	\$ 18,946	\$ 28,430	\$ 118,725
Less:												
Cash and cash equivalents	-	-	(31,713)	(31,713)	-	-	(31,176)	(31,176)	-	-	(25,933)	(25,933)
Short-term investments	-	-	(4,259)	(4,259)	-	-	(6,320)	(6,320)	-	-	(6,336)	(6,336)
Long-term investments	-	-	(3,590)	(3,590)	-	-	(3,279)	(3,279)	-	-	(2,893)	(2,893)
Income taxes receivable	-	-	(23)	(23)	-	-	(75)	(75)	-	-	(142)	(142)
Deferred income taxes - non-current	-	-	(4,312)	(4,312)	-	-	(3,415)	(3,415)	-	-	(4,405)	(4,405)
Current maturities of long-term debt	-	-	-	-	-	-	-	-	-	-	2,200	2,200
Income taxes payable - current	-	-	622	622	-	-	305	305	-	-	392	392
Income taxes payable - long-term	-	-	3,480	3,480	-	-	3,655	3,655	-	-	3,634	3,634
Deferred income taxes - non-current	-	-	1,209	1,209	-	-	1,206	1,206	-	-	1,071	1,071
Deferred compensation	-	-	4,495	4,495	-	-	4,421	4,421	-	-	4,280	4,280
Total Capital Employed	\$ 72,644	\$ 19,623	\$ (1,284)	\$ 90,983	\$ 71,502	\$ 17,058	\$ (263)	\$ 88,297	\$ 71,349	\$ 18,946	\$ 298	\$ 90,593

As of the three Months Ended May 3, 2015

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	89,066	32,838	49,396	171,300
Total liabilities	(18,594)	(18,812)	(14,467)	(51,873)
Subtotal	\$ 70,472	\$ 14,026	\$ 34,929	\$ 119,427
Less:				
Cash and cash equivalents	-	-	(29,725)	(29,725)
Short-term investments	-	-	(10,004)	(10,004)
Long-term investments	-	-	(2,415)	(2,415)
Income taxes receivable	-	-	(229)	(229)
Deferred income taxes - non-current	-	-	(5,169)	(5,169)

Current maturities of long-term debt	-	-	2,200	2,200
Income taxes payable - current	-	-	325	325
Income taxes payable - long-term	-	-	3,792	3,792
Deferred income taxes - non-current	-	-	982	982
Deferred compensation	-	-	4,041	4,041

Total Capital Employed	<u>\$ 70,472</u>	<u>\$ 14,026</u>	<u>\$ (1,273)</u>	<u>\$ 83,225</u>
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	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
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Average Capital Employed (3)	<u>\$ 71,492</u>	<u>\$ 17,413</u>	<u>\$ (631)</u>	<u>\$ 88,275</u>
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Notes:

(1) See reconciliation per page 6 of this financial information release.

(2) Return on average capital employed represents operating income for the nine month period ending January 31, 2016 divided by three quarters 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 four periods ending January 31, 2016, November 1, 2015, August 2, 2015 and May 3, 2015.

**RETURN ON CAPITAL EMPLOYED BY
SEGMENT
FOR THE NINE MONTHS ENDED
FEBRUARY 1, 2015
(Amounts in Thousands)
(Unaudited)**

	Operating Income		Average Capital		Return on Avg. Capital	
	Nine Months Ended February 1, 2015 (1)		Employed (3)		Employed (2)	
Mattress Fabrics	\$	14,584	\$	63,361	30.7%	
Upholstery Fabrics		6,274		17,344	48.2%	
(less: Unallocated Corporate)		(4,636)		361	N/A	
Total	\$	16,222	\$	81,065	26.7%	

Average Capital Employed	As of the three Months Ended February 1, 2015				As of the three Months Ended November 2, 2014				As of the three Months Ended August 3, 2014			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	83,648	35,761	45,949	165,358	80,121	30,916	45,126	156,163	81,400	30,520	42,298	154,218
Total liabilities	(18,470)	(18,927)	(12,989)	(50,386)	(17,247)	(14,847)	(12,395)	(44,489)	(18,464)	(11,468)	(15,139)	(45,071)
Subtotal	\$ 65,178	\$ 16,834	\$ 32,960	\$ 114,972	\$ 62,874	\$ 16,069	\$ 32,731	\$ 111,674	\$ 62,936	\$ 19,052	\$ 27,159	\$ 109,147
Less:												
Cash and cash equivalents	-	-	(28,772)	(28,772)	-	-	(28,953)	(28,953)	-	-	(24,665)	(24,665)
Short-term investments	-	-	(8,384)	(8,384)	-	-	(6,318)	(6,318)	-	-	(6,311)	(6,311)
Long-term investments	-	-	(2,063)	(2,063)	-	-	(1,911)	(1,911)	-	-	(1,749)	(1,749)
Income taxes receivable	-	-	(104)	(104)	-	-	-	-	-	-	(136)	(136)
Deferred income taxes - non-current	-	-	(5,020)	(5,020)	-	-	(6,200)	(6,200)	-	-	(7,182)	(7,182)
Current maturities of long-term debt	-	-	2,200	2,200	-	-	2,200	2,200	-	-	2,200	2,200
Line of credit	-	-	-	-	-	-	-	-	-	-	569	569
Income taxes payable - current	-	-	325	325	-	-	268	268	-	-	387	387
Income taxes payable - long-term	-	-	3,630	3,630	-	-	3,980	3,980	-	-	4,037	4,037
Deferred income taxes - non-current	-	-	927	927	-	-	896	896	-	-	1,019	1,019
Long-term debt, less current maturities	-	-	-	-	-	-	-	-	-	-	2,200	2,200
Deferred compensation	-	-	3,934	3,934	-	-	3,794	3,794	-	-	3,632	3,632
Total Capital Employed	\$ 65,178	\$ 16,834	\$ (367)	\$ 81,645	\$ 62,874	\$ 16,069	\$ 487	\$ 79,430	\$ 62,936	\$ 19,052	\$ 1,160	\$ 83,148

As of the three Months Ended April 27, 2014

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	79,055	34,987	46,886	160,928
Total liabilities	(16,598)	(17,568)	(15,018)	(49,184)
Subtotal	\$ 62,457	\$ 17,419	\$ 31,868	\$ 111,744
Less:				
Cash and cash equivalents	-	-	(29,303)	(29,303)
Short-term investments	-	-	(6,294)	(6,294)
Long-term investments	-	-	(765)	(765)
Income taxes receivable	-	-	(121)	(121)
Deferred income taxes - non-current	-	-	(8,263)	(8,263)
Current maturities of long-term	-	-	2,200	2,200

debt				
Line of credit			586	586
Income taxes payable - current	-	-	442	442
Income taxes payable - long-term	-	-	3,962	3,962
Deferred income taxes - non-current	-	-	1,006	1,006
Long-term debt, less current maturities	-	-	2,200	2,200
Deferred compensation	-	-	2,644	2,644
	<hr/>			
Total Capital				
Employed	\$ 62,457	\$ 17,419	\$ 162	\$ 80,038

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Average Capital Employed (3)	\$ 63,361	\$ 17,344	\$ 361	\$ 81,065

Notes:

(1) See reconciliation per page 6 of this financial information release.

(2) Return on average capital employed represents operating income for the nine month period ending February 1, 2015 divided by 3 quarters times 4 quarters to arrive at an annualized value then divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments, long-term investments, long-term debt, including current maturities, line of credit, noncurrent deferred tax assets and liabilities, and income taxes payable and receivable.

(3) Average capital employed was computed using the four periods ending February 1, 2015, November 2, 2014, 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 NINE MONTHS ENDED JANUARY 31, 2016 AND FEBRUARY 1, 2015
Unaudited
(Amounts in Thousands)

		NINE MONTHS ENDED	
		Amounts	
		January 31, 2016	February 1, 2015
Consolidated Effective GAAP Income Tax Rate	(1)	35.7%	37.6%
Non-Cash U.S. Income Tax Expense		(17.9)%	(22.1)%
Non-Cash Foreign Income Tax Expense		0.0%	(0.2)%
Consolidated Adjusted Effective Income Tax Rate	(2)	17.8%	15.3%

THREE MONTHS ENDED						
	As reported January 31, 2016	Adjustments	January 31, 2016 Proforma Net of Adjustments	As reported February 1, 2015	Adjustments	February 1, 2015 Proforma Net of Adjustments
Income before income taxes	\$ 7,179	\$ -	\$ 7,179	\$ 5,922		\$ 5,922
Income taxes (3)	2,317	(1,039)	1,278	2,110	(1,204)	906
Net income	\$ 4,862	\$ 1,039	\$ 5,901	\$ 3,812	\$ 1,204	\$ 5,016
Net income per share-basic	\$ 0.39	\$ 0.08	\$ 0.48	\$ 0.31	\$ 0.10	\$ 0.41
Net income per share-diluted	\$ 0.39	\$ 0.08	\$ 0.47	\$ 0.31	\$ 0.10	\$ 0.40
Average shares outstanding-basic	12,331	12,331	12,331	12,219	12,219	12,219
Average shares outstanding-diluted	12,486	12,486	12,486	12,417	12,417	12,417

NINE MONTHS ENDED						
	As reported January 31, 2016	Adjustments	January 31, 2016 Proforma Net of Adjustments	As reported February 1, 2015	Adjustments	February 1, 2015 Proforma Net of Adjustments
Income before income taxes	\$ 20,731	\$ -	\$ 20,731	\$ 16,270	\$ -	\$ 16,270
Income taxes (3)	7,398	(3,708)	3,690	6,113	(3,624)	2,489
Net income	\$ 13,333	\$ 3,708	\$ 17,041	\$ 10,157	\$ 3,624	\$ 13,781
Net income per share-basic	\$ 1.08	\$ 0.30	\$ 1.38	\$ 0.83	\$ 0.30	\$ 1.13
Net income per share-diluted	\$ 1.07	\$ 0.30	\$ 1.36	\$ 0.82	\$ 0.29	\$ 1.11
Average shares outstanding-basic	12,317	12,317	12,317	12,216	12,216	12,216
Average shares outstanding-diluted	12,488	12,488	12,488	12,410	12,410	12,410

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