

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

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Date of Report (Date of earliest event reported) June 3, 1998

CULP, INC.

(Exact name of registrant as specified in its charter)

North Carolina

0-12781

56-1001967

(State or other jurisdiction  
of incorporation)

(Commission File No.)

(IRS Employer  
Identification No.)

101 South Main Street  
High Point, North Carolina 27260  
(Address of principal executive offices)  
(336) 889-5161

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

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Item 5. Other Events

See attached Press Release (3 pages) and Financial Information Release (12 pages), both dated June 3, 1998, related to the fourth quarter and year ended May 3, 1998.

Forward Looking Information. This Report contains statements that could be deemed "forward-looking statements" within the meaning of the federal securities laws, which statements are inherently subject to risks and uncertainties. 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 characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the Company's business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could adversely affect the Company. In addition, the value of the U. S. dollar relative to other currencies can affect the competitiveness of the Company's products in international markets.

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: Franklin N. Saxon  
Senior Vice President and  
Chief Financial Officer

By: Phillip W. Wilson  
Director of Finance

Dated: June 3, 1998

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FOR IMMEDIATE RELEASE

CULP REPORTS RECORD SALES AND EARNINGS FOR FISCAL 1998

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FOURTH QUARTER REFLECTS PRESSURE ON MARGINS

HIGH POINT, N. C. (June 3, 1998) - Culp, Inc. (NYSE:CFI) today reported higher sales and earnings for the fiscal year ended May 3, 1998. Although the company reported lower earnings for the fourth fiscal quarter, the results for the full year marked the ninth consecutive year of record earnings for Culp.

For the 1998 fiscal year, net sales totaled \$476.7 million, up 20% from \$398.9 million in fiscal 1997. Net income for the year rose 13% to \$15.5 million, or \$1.19 per share diluted, up from \$13.8 million, or \$1.15 per share diluted, in fiscal 1997.

Net sales for the quarter increased 29% to \$135.8 million compared with \$105.7 million a year ago. Net income for the quarter totaled \$4.2 million, or \$0.31 per share diluted, compared with \$4.8 million, or \$0.38 per share diluted, in the fourth quarter of fiscal 1997.

The Company's effective tax rate for fiscal 1998 was 29% compared with 36% a year ago. The lower rate was due principally to increased tax benefits related to the Company's international sales. The reduced tax rate also reflected a higher proportion of earnings from the Company's Canadian subsidiary that is taxed at a lower effective rate.

"Net sales, net income and earnings per share each set new records for fiscal 1998 as a whole," said Robert G. Culp, III, chief executive officer. "Culp's financial performance for the full year marks an extension of our long-term record of growth. At the same time, several factors contributed to some pressure on profitability that was reflected in our fourth-quarter results. One of the most significant developments related to the \$95 million that we invested during fiscal 1998 to support Culp's progress through the acquisition of additional complementary business units and various capital projects intended to expand, modernize and vertically integrate our operations. Although assimilation of the acquisitions and completion of the capital projects have generally proceeded as planned, we have experienced production inefficiencies related to the start-up of several of these initiatives. We believe these variances will prove temporary and are confident about realizing a sound long-term return from these investments."

Culp added, "Incoming orders for our upholstery fabrics and mattress ticking are generally favorable at present. One product category where demand has decidedly slowed, however, is printed flock upholstery fabrics. This has been one of our fastest-growing product groups, stimulated by significant growth in demand from international markets; notably, portions of Eastern Europe and Asia. We accordingly focused a meaningful part of our expansion on additional capacity for these fabrics. Although we believe the longer term outlook is good for increasing shipments of these fabrics, the economic difficulties that many of these regions are experiencing at present are having an understandably adverse impact on demand for home furnishings and our fabrics. We are re-directing our marketing activities to other geographic areas and expect to realize improved results as fiscal 1999 develops."

"As we start fiscal 1999, we are encouraged about the momentum that Culp has established in the development of new patterns and textures for our upholstery fabrics and mattress ticking. Our completion of the Howard L. Dunn, Jr. design center during fiscal 1998 epitomized the key role that design has in our business. We have been fortunate to add a number of talented designers with solid reputations and a willingness to test new concepts. The design teams now have a truly state-of-the-art facility, and we are pleased with their accomplishments to date. The backdrop of high consumer confidence and stable mortgage rates presents a favorable environment for spending on home furnishings in the United States. We are thus optimistic about Culp's prospects for continued progress in fiscal 1999 as a whole. We recognize that the first half of the year will be challenging and believe that the year-to-year improvement will be more likely to occur during the second half."

Culp concluded, "Purchases of existing operations and other physical assets have been an integral component of our growth for more than a decade. Although we expect to maintain an active capital investment program during fiscal 1999, the planned spending of \$15 million will be less than half the \$36 million spend in fiscal 1998. Our primary focus will be the maturation of the projects that have either been or are nearing completion. Culp's profitability has enabled us to support these investments while maintaining a solid financial position. Our funded debt/capital ratio totaled 54% at the close of fiscal 1998 with borrowings of \$30 million against our \$100 million line of credit. During the fourth quarter, we enhanced our financial flexibility further by closing a private placement of \$75 million in senior unsecured notes with a fixed rate of 6.76% for 10 years."

Culp is the world's largest manufacturer and marketer of upholstery fabrics for furniture and is a leading producer of mattress ticking for bedding. The Company's fabrics are used principally in the production of residential and commercial furniture and bedding products.

This Release contains statements that could be deemed "forward-looking statements" within the meaning of the federal securities laws, which statements are inherently subject to risks and uncertainties. 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 characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the Company's business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could adversely affect the Company. In addition, the value of the U.S. dollar relative to other currencies can affect the competitiveness of the Company's products in international markets.

CULP, INC.  
Condensed Financial Highlights

	Three Months Ended	
	May 3, 1998	April 27, 1997
Net sales	\$135,834,000	\$105,678,000
Net income	4,156,000	4,840,000
Earnings per share		
Basic	\$ 0.32	\$ 0.39
Diluted	\$ 0.31	\$ 0.38
Average shares outstanding		
Basic	12,993,000	12,546,000
Diluted	13,284,000	12,856,000
	Fiscal Year Ended	
	May 3, 1998	April 27, 1997
Net sales	\$476,715,000	\$398,879,000
Net income	15,513,000	13,770,000
Earnings per share		
Basic	\$ 1.22	\$ 1.18
Diluted	\$ 1.19	\$ 1.15
Average shares outstanding		
Basic	12,744,000	11,624,000
Diluted	13,042,000	11,929,000

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CULP, INC. FINANCIAL INFORMATION RELEASE  
CONSOLIDATED INCOME STATEMENTS  
FOR THREE MONTHS AND TWELVE MONTHS ENDED MAY 3, 1998 AND APRIL 27, 1997

(Amounts in Thousands, Except for Per Share Data)

THREE MONTHS ENDED (UNAUDITED)					
	Amounts			Percent of Sales	
	May 3, 1998	April 27, 1997	% Over (Under)	1998	1997
Net sales	\$ 135,834	105,678	28.5 %	100.0 %	100.0 %
Cost of sales	112,644	85,386	31.9 %	82.9 %	80.8 %
Gross profit	23,190	20,292	14.3 %	17.1 %	19.2 %
Selling, general and administrative expenses	15,277	11,730	30.2 %	11.2 %	11.1 %
Income from operations	7,913	8,562	(7.6) %	5.8 %	8.1 %
Interest expense	1,837	1,019	80.3 %	1.4 %	1.0 %
Interest income	(69)	(90)	(23.3) %	(0.1) %	(0.1) %
Other expense (income), net	753	404	86.4 %	0.6 %	0.4 %
Income before income taxes	5,392	7,229	(25.4) %	4.0 %	6.8 %
Income taxes *	1,236	2,389	(48.3) %	22.9 %	33.0 %
Net income	\$ 4,156	4,840	(14.1) %	3.1 %	4.6 %
Net income per share	\$0.32	\$0.39	(17.9) %		
Net income per share (assuming dilution)	\$0.31	\$0.38	(18.4) %		
Dividends per share	\$0.0350	\$0.0325	7.7 %		
Average shares outstanding	12,993	12,546	3.6 %		
Average shares outstanding (assuming dilution)	13,284	12,856	3.3 %		

TWELVE MONTHS ENDED					
	Amounts			Percent of Sales	
	May 3, 1998	April 27, 1997	% Over (Under)	1998	1997
Net sales	\$ 476,715	398,879	19.5 %	100.0 %	100.0 %
Cost of sales	393,154	326,394	20.5 %	82.5 %	81.8 %
Gross profit	83,561	72,485	15.3 %	17.5 %	18.2 %
Selling, general and administrative expenses	52,987	45,058	17.6 %	11.1 %	11.3 %
Income from operations	30,574	27,427	11.5 %	6.4 %	6.9 %
Interest expense	7,117	4,671	52.4 %	1.5 %	1.2 %
Interest income	(304)	(280)	8.6 %	(0.1) %	(0.1) %
Other expense (income), net	1,912	1,521	25.7 %	0.4 %	0.4 %
Income before income taxes	21,849	21,515	1.6 %	4.6 %	5.4 %
Income taxes *	6,336	7,745	(18.2) %	29.0 %	36.0 %
Net income	\$ 15,513	13,770	12.7 %	3.3 %	3.5 %
Net income per share	\$1.22	\$1.18	3.4 %		
Net income per share (assuming dilution)	\$1.19	\$1.15	3.5 %		
Dividends per share	\$0.14	\$0.13	7.7 %		
Average shares outstanding	12,744	11,624	9.6 %		
Average shares outstanding (assuming dilution)	13,042	11,929	9.3 %		

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

CULP, INC. FINANCIAL INFORMATION RELEASE  
CONSOLIDATED BALANCE SHEETS  
MAY 3, 1998 AND APRIL 27, 1997

(Amounts in Thousands)

	Amounts		Increase	
	May 3, 1998	April 27, 1997	(Decrease) Dollars	Percent
<b>Current assets</b>				
Cash and cash investments	\$ 2,312	830	1,482	178.6 %
Accounts receivable	73,773	56,691	17,082	30.1 %
Inventories	78,594	53,463	25,131	47.0 %
Other current assets	7,808	5,450	2,358	43.3 %
<b>Total current assets</b>	<b>162,487</b>	<b>116,434</b>	<b>46,053</b>	<b>39.6 %</b>
Restricted investments	4,021	11,018	(6,997)	(63.5)%
Property, plant & equipment, net	128,805	91,231	37,574	41.2 %
Goodwill	55,162	22,262	32,900	147.8 %
Other assets	4,340	3,007	1,333	44.3 %
<b>Total assets</b>	<b>\$ 354,815</b>	<b>243,952</b>	<b>110,863</b>	<b>45.4 %</b>
<b>Current liabilities</b>				
Current maturities of long-term debt	\$ 3,325	100	3,225	3,225.0%
Accounts payable	37,214	29,903	7,311	24.4 %
Accrued expenses	17,936	15,074	2,862	19.0 %
Income taxes payable	1,282	1,580	(298)	(18.9)%
<b>Total current liabilities</b>	<b>59,757</b>	<b>46,657</b>	<b>13,100</b>	<b>28.1 %</b>
Long-term debt	152,312	76,541	75,771	99.0 %
Deferred income taxes	11,227	9,965	1,262	12.7 %
<b>Total liabilities</b>	<b>223,296</b>	<b>133,163</b>	<b>90,133</b>	<b>67.7 %</b>
Shareholders' equity	131,519	110,789	20,730	18.7 %
<b>Total liabilities and shareholders' equity</b>	<b>\$ 354,815</b>	<b>243,952</b>	<b>110,863</b>	<b>45.4 %</b>
Shares outstanding	13,007	12,609	398	3.2 %

CULP, INC.  
 FINANCIAL INFORMATION RELEASE  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED MAY 3, 1998 AND APRIL 27, 1997  
 (Amounts in Thousands)

	TWELVE MONTHS ENDED	
	Amounts	
	May 3, 1998	April 27, 1997
Cash flows from operating activities:		
Net income	\$ 15,513	13,770
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	14,808	12,688
Amortization of intangible assets	1,371	810
Provision for deferred income taxes	1,416	966
Changes in assets and liabilities, net of effects of payments for businesses acquired:		
Accounts receivable	(13,207)	(4,653)
Inventories	(17,684)	(6,068)
Other current assets	(660)	(348)
Other assets	(380)	(205)
Accounts payable	6,477	2,586
Accrued expenses	1,506	2,510
Income taxes payable	(298)	1,383
Net cash provided by operating activities	8,862	23,439
Cash flows from investing activities:		
Capital expenditures	(35,879)	(26,958)
Purchases of restricted investments	(8,770)	(9,770)
Purchase of investments to fund deferred compensation liability	(581)	(563)
Sale of restricted investments	15,767	4,002
Payments for businesses acquired	(42,966)	0
Net cash used in investing activities	(72,429)	(33,289)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	86,246	54,500
Principal payments on long-term debt	(17,100)	(59,900)
Change in accounts payable-capital expenditures	(2,873)	9
Dividends paid	(1,786)	(1,513)
Proceeds from common stock issued	562	17,086
Net cash provided by financing activities	65,049	10,182
Increase in cash and cash investments	1,482	332
Cash and cash investments at beginning of period	830	498
Cash and cash investments at end of period	\$ 2,312	830



CULP, INC. FINANCIAL INFORMATION RELEASE  
FINANCIAL ANALYSIS  
MAY 3, 1998

	FISCAL 97		FISCAL 98			LTM
	Q4	Q1	Q2	Q3	Q4	
<b>INVENTORIES</b>						
Inventory turns	6.6	5.8	6.1	5.4	5.9	
<b>RECEIVABLES</b>						
Days sales in receivables	49	50	55	52	49	
Percent current & less than 30 days past due	99.1%	95.0%	97.8%	94.1%	96.6%	
<b>WORKING CAPITAL</b>						
Current ratio	2.5	3.6	2.9	3.0	2.7	
Working capital turnover (4)	5.3	5.1	4.8	4.7	4.7	
Operating working capital (4)	\$80,251	\$94,647	\$107,797	\$112,220	\$115,153	
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>						
Depreciation rate	7.5%	7.1%	7.4%	7.4%	7.4%	
Percent property, plant & equipment are depreciated	47.4%	46.8%	45.3%	44.8%	42.6%	
Capital expenditures	\$26,958 (1)	\$9,153	\$10,063	\$8,967	\$7,696	
<b>PROFITABILITY</b>						
Return on average total capital	11.7%	7.6%	10.0%	8.3%	7.7%	8.4%
Return on average equity	20.9%	10.2%	15.6%	13.4%	13.1%	13.0%
Net income per share	\$0.39	\$0.23	\$0.36	\$0.32	\$0.32	\$1.22
Net income per share (diluted)	\$0.38	\$0.22	\$0.35	\$0.31	\$0.31	\$1.19
<b>LEVERAGE (3)</b>						
Total liabilities/equity	120.2%	123.1%	172.0%	169.2%	169.8%	
Funded debt/equity	59.2%	77.4%	111.7%	116.1%	115.3%	
Funded debt/capital employed	37.2%	43.6%	52.8%	53.7%	53.5%	
Funded debt	\$65,623	\$87,930	\$131,833	\$141,223	\$151,616	
Funded debt/EBITDA (LTM) (6)	1.67	2.18	2.83	2.95	3.21	
EBITDA/Interest expense, net(LTM)	9.0	9.1	8.5	7.5	6.6	
<b>OTHER</b>						
Book value per share	\$8.79	\$8.98	\$9.30	\$9.58	\$10.11	
Employees at quarter end	3,146	3,180	3,554	3,771	4,334	
Sales per employee (annualized)	\$134,000	\$125,000	\$146,000	\$129,000	\$134,000	
Capital employed (3)	\$176,412	\$201,467	\$249,838	\$262,836	\$283,135	
Effective income tax rate	33.0%	35.0%	35.0%	22.2%	22.9%	
EBITDA (2)	\$11,582	\$9,012	\$12,643	\$11,390	\$11,796	\$44,841
EBITDA/net sales	11.0%	9.1%	10.3%	9.6%	8.7%	9.4%

(1) Expenditures for entire year

(2) Earnings before interest, income taxes, and depreciation & amortization.

(3) Long-term debt, funded debt and capital employed are all net of restricted investments.

(4) Working capital for this calculation is accounts receivable, inventories and accounts payable.

(5) LTM represents "Latest Twelve Months"

(6) EBITDA includes pro forma amounts for Phillips, Wetumpka and Artee acquisitions in Qtr 2, Qtr 3 and Qtr 4 of fiscal 1998.

CULP, INC. FINANCIAL INFORMATION RELEASE  
 SALES BY PRODUCT CATEGORY/BUSINESS UNIT  
 FOR THREE MONTHS AND TWELVE MONTHS ENDED MAY 3, 1998 AND APRIL 27, 1997

(Amounts in thousands)

Product Category/Business Unit	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
	May 3, 1998	April 27, 1997	% Over (Under)	1998	1997
<b>Upholstery Fabrics</b>					
Culp Textures	\$ 25,521	23,027	10.8 %	18.8 %	21.8 %
Rossville/Chromatex	23,897	20,672	15.6 %	17.6 %	19.6 %
	49,418	43,699	13.1 %	36.4 %	41.4 %
Velvets/Prints	45,044	40,980	9.9 %	33.2 %	38.8 %
Phillips	10,737	0	100.0 %	7.9 %	0.0 %
	105,199	84,679	24.2 %	77.4 %	80.1 %
<b>Mattress Ticking</b>					
Culp Home Fashions	23,520	20,999	12.0 %	17.3 %	19.9 %
<b>Yarn</b>					
Artee	7,115	0	100.0 %	5.2 %	0.0 %
	* \$ 135,834	105,678	28.5 %	100.0%	100.0 %

Product Category/Business Unit	TWELVE MONTHS ENDED				
	Amounts			Percent of Total Sales	
	May 3, 1998	April 27, 1997	% Over (Under)	1998	1997
<b>Upholstery Fabrics</b>					
Culp Textures	\$ 92,727	88,218	5.1 %	19.5 %	22.1 %
Rossville/Chromatex	84,740	79,512	6.6 %	17.8 %	19.9 %
	177,467	167,730	5.8 %	37.2 %	42.1 %
Velvets/ Prints	171,389	156,467	9.5 %	36.0 %	39.2 %
Phillips	32,698	0	100.0 %	6.9 %	0.0 %
	381,554	324,197	17.7 %	80.0 %	81.3 %
<b>Mattress Ticking</b>					
Culp Home Fashions	87,285	74,682	16.9 %	18.3 %	18.7 %
<b>Yarn</b>					
Artee	7,876	0	100.0 %	1.7 %	0.0 %
	* \$ 476,715	398,879	19.5 %	100.0%	100.0 %

\*U.S. sales were \$97,383 and \$76,517 for the current quarter of fiscal 1998 and fiscal 1997, respectively; and \$339,492 and \$297,308 for the twelve months of fiscal 1998 and fiscal 1997, respectively. The percentage increase in U.S. sales was 27% for the current quarter and an increase of 14% for the twelve months.

CULP, INC. FINANCIAL INFORMATION RELEASE  
INTERNATIONAL SALES BY GEOGRAPHIC AREA  
FOR THREE MONTHS AND TWELVE MONTHS ENDED MAY 3, 1998 AND APRIL 27, 1997

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts			Percent of Total Sales	
	May 3, 1998	April 27, 1997	% Over (Under)	1998	1997
North America(Excluding USA)	\$ 8,459	6,924	22.2 %	22.0 %	23.7 %
Europe	7,964	7,672	3.8 %	20.7 %	26.3 %
Middle East	10,960	9,769	12.2 %	28.5 %	33.5 %
Far East & Asia	8,542	3,753	127.6 %	22.2 %	12.9 %
South America	1,687	140	1,105.0 %	4.4 %	0.5 %
All other areas	839	903	(7.1)%	2.2 %	3.1 %
	<u>\$ 38,451</u>	<u>29,161</u>	<u>31.9 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

TWELVE MONTHS ENDED

Geographic Area	Amounts			Percent of Total Sales	
	May 3, 1998	April 27, 1997	% Over (Under)	1998	1997
North America (Excluding USA)	\$ 31,160	27,479	13.4 %	22.7 %	27.1 %
Europe	30,775	25,245	21.9 %	22.4 %	24.9 %
Middle East	34,412	23,505	46.4 %	25.1 %	23.1 %
Far East & Asia	32,344	19,646	64.6 %	23.6 %	19.3 %
South America	5,158	2,604	98.1 %	3.8 %	2.6 %
All other areas	3,374	3,092	9.1 %	2.5 %	3.0 %
	<u>\$ 137,223</u>	<u>101,571</u>	<u>35.1 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

International sales, and the percentage of total sales, for each of the last seven fiscal years follows: fiscal 1992-\$ 34,094 (18%); fiscal 1993-\$ 40,729 (20%); fiscal 1994-\$ 44,038 (18%); fiscal 1995-\$ 57,971 (19%); fiscal 1996-\$ 77,397 (22%); fiscal 1997-\$ 101,571 (25%); and fiscal 1998-\$ 137,223 (29%). International sales for for the curent quarter represented 28.3% and 27.6% for 1998 and 1997, respectively.



Culp, Inc.  
 SALES BY BUSINESS UNIT - TREND ANALYSIS  
 1996 vs 1997 vs 1998

(Amounts in thousands)

Product Category/Business Units	Fiscal 1998				
	Q1	Q2	Q3	Q4	TOTAL
-----					
Upholstery Fabrics					
Culp Textures	21,693	24,454	21,059	25,521	92,727
Rossville/Chromatex	18,121	21,602	21,120	23,897	84,740
	-----	-----	-----	-----	-----
	39,814	46,056	42,179	49,418	177,467
Velvets/Prints	38,397	43,928	44,020	45,044	171,389
Phillips	-	10,725	11,236	10,737	32,698
	-----	-----	-----	-----	-----
	78,211	100,709	97,435	105,199	381,554
Mattress Ticking					
Culp Home Fashions	21,287	22,217	20,261	23,520	87,285
Yarn					
Artee	-	-	761	7,115	7,876
	-----	-----	-----	-----	-----
	99,498	122,926	118,457	135,834	476,715
	=====	=====	=====	=====	=====

Percent increase(decrease) from prior year:  
Product Category/Business Units

Upholstery Fabrics

Culp Textures	(10.3)	(0.5)	(1.2)	7.6	(0.9)	18.3	5.7	(1.4)	(1.6)	4.5
Rossville/Chromatex	1.4	14.0	13.2	35.5	16.4	18.3	20.9	2.1	(7.4)	7.2
	(5.2)	5.4	5.1	19.7	6.5	18.3	12.4	0.2	(4.4)	5.8
Velvets/Prints	13.9	21.3	12.5	21.8	17.7	48.2	25.4	26.9	7.1	24.5
Phillips	-	-	-	-	-	-	-	-	-	-
	1.9	11.9	8.3	20.6	11.2	30.8	18.1	12.2	0.8	14.0
Mattress Ticking										
Culp Home Fashions	45.1	33.6	26.7	14.9	28.8	5.1	7.4	15.3	15.5	10.8
Yarn										
Artee	-	-	-	-	-	-	-	-	-	-
	9.1	15.6	11.2	19.6	14.2	25.1	16.0	12.7	3.4	13.4

Overall Growth Rate

Internal (without acquisitions)	6.4	13.0	8.7	19.6	12.3	25.1	16.0	12.7	3.4	13.4
External	2.7	2.6	2.5	1.9	-	-	-	-	-	-
	9.1	15.6	11.2	19.6	14.2	25.1	16.0	12.7	3.4	13.4

Percent increase(decrease) from prior year:  
Product Category/Business Units

Upholstery Fabrics

Culp Textures	4.3	1.9	3.3	10.8	5.1
Rossville/Chromatex	(0.2)	(0.6)	11.4	15.6	6.6
	2.2	0.7	7.2	13.1	5.8
Velvets/Prints	10.1	9.2	9.0	9.9	9.5
Phillips	-	100.0	100.0	100.0	100.0
	5.9	17.2	22.2	24.2	17.7
Mattress Ticking					
Culp Home Fashions	27.5	15.4	14.2	12.0	16.9
Yarn					
Artee	-	-	100.0	100.0	100.0
	9.9	16.8	21.5	28.5	19.5

Overall Growth Rate

Internal (without acquisitions)	9.9	6.6	9.2	11.6	9.3
External	-	10.2	12.3	16.9	10.2
	9.9	16.8	21.5	28.5	19.5

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for the three and twelve month periods ended May 3, 1998 and April 27, 1997

INCOME STATEMENT COMMENTS

GENERAL - Net sales increased 28.5% to \$135.8 million and net income decreased 14.1% to \$4.2 million for the fourth quarter, as compared with the same quarter of last year. Net sales for the quarter excluding the operations acquired during fiscal 1998 increased 11.6% versus the same quarter of last year. The company's net profit margin decreased to 3.1% for the quarter from 4.6% a year ago. Also, the company achieved a return on average shareholders' equity of 13.0% for fiscal 1998. The company acquired Phillips Mills on August 5, 1997, Wetumpka Yarn on December 30, 1997, and Artee Industries on February 2, 1998. The acquisitions were accounted for as purchases. The results of these companies are therefore included in Culp's results since their respective acquisition dates.

The company attributes its longer term record of growth to several key competitive strengths:

Broad Product Offering - marketing one of the broadest product lines in the upholstery fabrics and mattress ticking industry. Through its extensive manufacturing capabilities, the company competes in every major category of the industry except leather.

Diverse Global Customer Base - penetrating other end-use markets in addition to U.S. residential furniture, such as bedding, international, commercial furniture and juvenile furniture; sales to these other markets accounted for approximately 54% of net sales during the fourth quarter; additionally, no one customer accounted for more than 7% of sales during the quarter;

Design Innovation - investing in the creative aspect of our business - the company has significantly increased the resources (both designers and computer-aided design (CAD) systems) dedicated to the design and product development areas in each business unit; the company's in-house design, product development, CAD and support staff now includes over 90 people. Additionally, the company opened its state-of-the-art Design Center in Burlington, North Carolina during January 1998. This facility now brings together most of the company's design resources in one location and utilizes advanced CAD systems and technology;

Vertical Integration - realizing additional manufacturing integration by producing most of its specialty raw material components that are used in the manufacture of its products; and

Ability to Identify and Integrate Acquisitions - investing in selective acquisitions in complementary businesses which we know and understand, and that strengthen existing marketing positions or add strategic vertical manufacturing capabilities.

NET SALES - All business units reported gains in sales for the fourth quarter and full year. The overall increases for the quarter and year were principally due to the incremental sales from acquisitions, international sales growth of 31.9% for the quarter and 35.1% for the year, and continued gains in sales of mattress ticking of 12.0% for the quarter and 16.9% for the year. (See various sales schedules included in this Form 8-K). International sales in all major regions and each upholstery fabric business unit increased, and they accounted for 28% of net sales for the quarter and 29% for the year. The vast majority of the international sales represent sales of upholstery fabrics to residential furniture distributors and manufacturers. (See International Sales by Geographic Area schedule on page 6.) Almost all of the company's international sales are denominated in U.S. dollars.

Incoming order trends for Phillips and Rossville/Chromatex are improving at present due principally to increased international sales. Order trends for Culp Home Fashions remain very positive. Late in the fourth quarter of fiscal 1997, however, incoming orders for the company's wet and heat-transfer printed flock product lines began to slow considerably. This trend, which the company believes is also affecting the other major flock fabric competitors, continued through May. As a result, the Velvets/Prints division has significantly curtailed production schedules thus far in the first quarter of fiscal 1999. A large percentage of the company's sales of this product line, and the industry in general, were being shipped directly or indirectly to customers in the emerging markets of Russia and other former Soviet countries, India and Eastern Europe.

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All of these areas are generally experiencing very weak economic conditions which, in turn, have affected demand for furniture and other home furnishings. The company is re-directing its marketing focus for this product category to other geographic areas where demand remains favorable and believes the long-term outlook favors increasing demand for these fabrics internationally.

**GROSS PROFIT** - The gross profit increase of 14.3% for the fourth quarter versus the same quarter of last year reflects a substantial gain in the Culp Home Fashions and Culp Velvets/Prints business units, the incremental gross profit from the Phillips and Artee business units, and moderate decreases in Rossville/Chromatex and Culp Textures. Additionally, the year end credit adjustment for LIFO for fiscal 1998 was significantly less than the credit adjustment for LIFO in 1997. The overall gross profit margin of 17.1% decreased for the fourth quarter from 19.2% in the same quarter of last year. Factors which adversely affected the company's profitability and margins during the quarter included: (a) incremental costs at Rossville/Chromatex associated with the planned relocation of its Rossville dooby weaving facility to a new plant in Chattanooga, TN, (b) lower profitability in the Culp Textures business unit that resulted from decreases in profits of its jacquard product line and from the fabric finishing expansion to bring in house the fabric finishing for Phillips and (c) lower margins on certain international shipments from Rossville/Chromatex and Culp Textures. These factors were offset in part by (a) improving productivity related to various expansion projects in the Velvets/Prints business unit as well as higher profitability in its velvet product lines, (b) contributions from Phillips and Artee, and (c) the operation of its jacquard greige goods facility in Canada (Rayonese) where a major expansion of wide weaving capacity was completed during the third quarter of fiscal 1998.

For the first quarter of fiscal 1999 and likely continuing into the second quarter, the company's gross margins are expected to be under pressure principally due to the substantial softness that has developed in demand for printed flock fabrics. Other factors that may adversely affect margins include (a) lower margins on certain international shipments of fabrics (b) competitive pressures relating to demand for the company's jacquard product lines, and (c) continuing costs associated with completion of the project to expand fabric finishing to accommodate the Phillips finishing requirements. The company has instituted several key initiatives to address these situations, including (a) combining the Rossville/Chromatex and Culp Textures business units, which manufacture and market woven upholstery fabrics to the residential and commercial furniture markets, into one division under a single management team; and (b) naming a new president for the Culp Velvets/Prints division as well as a new VP of International Sales and Marketing with significant experience in the printed flock fabric international market. The Company believes that it should benefit during fiscal 1999 from further improvement in the productivity related to the expansion projects and from a stronger contribution from the operations acquired during fiscal 1998.

**S,G&A EXPENSES** - S,G&A expenses for the fourth quarter were essentially flat as a percentage of sales versus the same period of last year. The increase in absolute dollars is principally due to incremental S,G&A expenses for Phillips and Artee, higher sales commissions related to international sales, significant investments in additional design resources, and higher accruals for incentive-based compensation plans. The higher cost associated with incentive compensation plans for the fourth quarter occurred primarily because of differences in the timing of accruals in fiscal 1998 versus fiscal 1997.

**INTEREST EXPENSE** - The increase for the fourth quarter of 80.3% over the same quarter of last year is due to higher average borrowings outstanding, which resulted from the company's fiscal 1998 acquisitions of Phillips and Artee, and from capital expenditure and working capital investments that were made during the year. Due to the significant capital expenditures for fiscal 1998, the company began capitalizing interest expense related to major capital projects.



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OTHER EXPENSE (INCOME), NET - Other expense (income) increased to \$753,000 from \$404,000 in the same quarter of last year, due primarily to the incremental goodwill amortization related to Phillips and Artee as well as to debt issue costs associated with the company's debt agreements.

INCOME TAXES - The effective tax rate for the fourth quarter was 22.9%, compared with 33.0 % for the same quarter of last year. The annual tax rate was 29.0% for fiscal 1998 and 36.0% for fiscal 1997. The lower tax rate resulted from higher than expected tax benefits (in fiscal 1998 as well as prior periods) related to the company's foreign sales corporation ("FSC"), and higher estimated income in Canada which has a lower effective tax rate. The federal tax benefit from the FSC resulted in the overall effective tax rate decreasing to 29.0% from 35.4%. The tax benefit reflected in fiscal 1998 included refunds related to fiscal 1995 through fiscal 1997, and amounted to approximately \$658,000. Without these tax refunds from prior years, the effective rate would have been 32.0%. The company is estimating the effective tax rate for fiscal 1999 to be 34%.

EBITDA - EBITDA for the quarter increased 1.8% to \$11.8 million from last year's fourth quarter and represented 8.7% of net sales compared with 11.0% of net sales for the same period of last year. EBITDA for fiscal 1998 increased 13.8% to \$44.8 million and represented 9.4% of net sales compared with 9.9% of net sales for fiscal 1997.

OTHER ITEMS - In order to facilitate the understanding of (a) the company's results (for the fourth quarter and full year) from its recent acquisitions and (b) the comparisons to prior periods excluding the fiscal 1998 acquisitions, a supplemental income statement schedule has been included (see page 12 of 12). This schedule shows that the acquisitions were accretive during fiscal 1998 and contributed \$0.01 per share for the fourth quarter and \$0.09 per share for the year. These results were well below the expected levels of performance.

FOURTH QUARTER - Several non-operating items affected the year-to-year comparison in net income for the fourth quarter. The effect of the favorable items (capitalization of interest costs and the lower effective tax rate) was essentially offset by the other items (lower credit for LIFO and the higher expense for incentive compensation).

#### BALANCE SHEET COMMENTS

WORKING CAPITAL - Accounts receivable increased 30.1% from April 1997, due to the Phillips, Wetumpka and Artee acquisitions and increased sales of 28.5% for the fourth quarter. Days sales' outstanding represented 49 days at May 3, 1998 and April 27, 1997. Accounts receivable increased at a slightly faster rate than sales because of the increasing mix of international sales and mattress ticking sales, which carry longer payment terms than U.S. upholstery fabric sales. Inventories increased 47.0% from April 1997, partly due to the Phillips, Wetumpka and Artee acquisitions, higher overall sales and a higher mix of international sales which have required more finished goods inventory. Inventory turns decreased 11% to 5.9 for the quarter versus 6.6 for the same quarter of last year. Working capital increased significantly to \$102.7 million at May 3, 1998, from \$69.8 million at April 27, 1997, for the reasons mentioned above.

PROPERTY, PLANT AND EQUIPMENT - The company has maintained a significant program of capital expenditures over the past several years designed to expand capacity to support sales growth, increase vertical integration to lower product costs and control more of its supply of specialty raw materials, and enhance manufacturing efficiencies through modernization. The company had capital spending of approximately \$36 million during fiscal 1998, which included about \$12.5 million for expansion projects (35%); \$10.5 million for vertical integration projects (29%) and \$13.0 million for modernization projects (36%). The principal expansion project involved completion of various items related to the Lumberton, N.C. printing facility. The key vertical integration projects included yarn extrusion expansion, additional weaving capacity for jacquard greige goods at Rayonese and fabric finishing for Phillips.. The modernization projects encompass a number of smaller projects throughout the company's operations.

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Depreciation expense for fiscal 1998 was \$14.8 million. For fiscal 1999, the company is planning to significantly reduce its capital spending to approximately \$15 million, and concentrate its efforts on improving the results of the investments made during fiscal 1997 and fiscal 1998. The two largest projects that are currently planned for fiscal 1999 are: (a) completion of the polypropylene yarn extrusion expansion, which began in early fiscal 1998; and (b) building expansions in the Culp Home Fashions business unit to accommodate the significant growth in the company's sales of mattress ticking over the last several years. Depreciation for fiscal 1999 is currently estimated to be approximately \$19 million.

LONG-TERM DEBT - The company's funded debt-to-capital ratio was 53.5% at May 3, 1998, up from 37.2% at April 27, 1997. Funded debt was \$151.6 million at May 3, 1998, up from \$ 65.6 million at April 27, 1997. (Funded debt equals long-term debt, including current maturities, less restricted investments, which represent unspent IRB funds.) The increase in funded debt from April 27, 1997 resulted from the Phillips, Artee and Wetumpka acquisitions (\$52.8 million), capital expenditures (\$35.9 million), a decrease in accounts payable related to capital expenditures (\$2.9 million) and was partially offset by an operating cash flow increase of (\$8.8 million). On April 2, 1998, the company significantly strengthened its capital structure with the closing of a private placement of \$75 million of senior, unsecured notes. The notes have a fixed coupon rate of 6.76% and an average term of 10 years. Additionally, the principal financial covenants include only balance sheet tests: (a) a funded debt to total capital ratio of 60% and (b) a minimum shareholders' equity level. The proceeds were used to repay borrowings under the company's bank credit facility.

#### ACQUISITIONS

PHILLIPS MILLS ACQUISITION - On August 5, 1997, the company acquired the business and certain assets relating to the upholstery fabric businesses operating as Phillips Mills. Based on the terms of the asset purchase agreement, the transaction is valued at approximately \$39.5 million, which included cash, seller debt retired, a note payable to the seller and acquisition costs. The consideration for the acquisition also included stock options and an agreement for contingent payments to the selling companies within three years following closing that could range from \$0 to \$5,500,000, depending upon the future sales performance of the Phillips jacquard fabric product line. (See Form 8-K, dated April 30, 1997, which provides additional information related to the acquisition.)

ACQUISITION OF WETUMPKA YARN - On December 30, 1997, Culp completed the acquisition of the business and certain assets related to the Wetumpka yarn division of Dan River Inc. The transaction value at closing was \$1.4 million. (See press release, dated December 17, 1997, which provides additional information about the acquisition.)

ACQUISITION OF ARTEE INDUSTRIES - On February 2, 1998, Culp completed the acquisition of the business and substantially all assets and the assumption of certain liabilities of Artee Industries, Incorporated ("Artee"), a yarn manufacturer. The transaction value at closing was approximately \$17.9 million, and included the issuance of 284,211 new shares of Culp common stock, \$2.0 million in cash and a \$1.6 million short-term note, as well as the repayment at closing of Artee's interest-bearing debt. Also, there is an "earn-out" which provides the opportunity for additional consideration of up to \$7.6 million (60% in stock and 40% in cash), based upon the profitability of Artee during Culp's fiscal year ending May 2, 1999. (See Form 8-K, dated October 15, 1997, which provides additional information related to the acquisition.)

CULP, INC. FINANCIAL INFORMATION RELEASE  
SCHEDULE OF INCOME STATEMENTS WITH AND WITHOUT ACQUISITIONS  
FOR THREE MONTHS AND TWELVE MONTHS ENDED MAY 3, 1998 AND APRIL 27, 1997

(Amounts in Thousands, Except  
for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED)					Percent of Sales	
	As Reported Actual May 3, 1998	Less Acquisitions	Restated Actual w/o Acquisitions May 3, 1998	Actual April 27, 1997	%Over(under) Restated vs April 27, 1997	Restated Actual w/o Acquisitions May 3, 1998	Actual April 27, 1997
						-----	-----
Net sales	\$ 135,834	17,852	117,982	105,678	11.6 %	100.0 %	100.0 %
Cost of sales	112,644	15,253	97,391	85,386	14.1 %	82.5 %	80.8 %
Gross profit	23,190	2,599	20,591	20,292	1.5 %	17.5 %	19.2 %
Selling, general and administrative expenses	15,277	1,261	14,016	11,730	19.5 %	11.9 %	11.1 %
Income from operations	7,913	1,338	6,575	8,562	(23.2)%	5.6 %	8.1 %
Interest expense	1,837	801	1,036	1,019	1.7 %	0.9 %	1.0 %
Interest income	(69)	0	(69)	(90)	(23.3)%	(0.1)%	(0.1)%
Other expense (income), net	753	290	463	404	14.6 %	0.4 %	0.4 %
Income before income taxes	5,392	247	5,145	7,229	(28.8)%	4.4 %	6.8 %
Income taxes	1,236	97	1,139	2,389	(52.3)%	22.1 %	33.0 %
Net income	\$ 4,156	150	4,006	4,840	(17.2)%	3.4 %	4.6 %
Net income per share	\$0.32	\$0.01	\$0.31	\$0.39	(20.5)%		
Net income per share (assuming dilution)	\$0.31	\$0.01	\$0.30	\$0.38	(21.1)%		
TWELVE MONTHS ENDED							
	TWELVE MONTHS ENDED					Percent of Sales	
	As Reported Actual May 3, 1998	Less Acquisitions	Restated Actual w/o Acquisitions May 3, 1998	Actual April 27, 1997	%Over(under) Restated vs April 27, 1997	Restated Actual w/o Acquisitions May 3, 1998	Actual April 27, 1997
						-----	-----
Net sales	\$ 476,715	40,574	436,141	398,879	9.3 %	100.0 %	100.0 %
Cost of sales	393,154	33,086	360,068	326,394	10.3 %	82.6 %	81.8 %
Gross profit	83,561	7,488	76,073	72,485	4.9 %	17.4 %	18.2 %
Selling, general and administrative expenses	52,987	3,166	49,821	45,058	10.6 %	11.4 %	11.3 %
Income from operations	30,574	4,322	26,252	27,427	(4.3)%	6.0 %	6.9 %
Interest expense	7,117	1,900	5,217	4,671	11.7 %	1.2 %	1.2 %
Interest income	(304)	0	(304)	(280)	8.6 %	(0.1)%	(0.1)%
Other expense (income), net	1,912	627	1,285	1,521	(15.5)%	0.3 %	0.4 %
Income before income taxes	21,849	1,795	20,054	21,515	(6.8)%	4.6 %	5.4 %
Income taxes	6,336	638	5,698	7,745	(26.4)%	28.4 %	36.0 %
Net income	\$ 15,513	1,157	14,356	13,770	4.3 %	3.3 %	3.5 %
Net income per share	\$1.22	\$0.09	\$1.13	\$1.18	(4.2)%		
Net income per share (assuming dilution)	\$1.19	\$0.09	\$1.10	\$1.15	(4.3)%		

