
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) November 18, 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)

Item 5. Other Events

See attached Press Release (2 pages) and Financial Information Release (10 pages), both dated November 18, 1998, related to the fiscal 1999 second quarter ended November 1, 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 affect the Company adversely. 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. Economic and political instability in the international area could also affect the demand for the Company's products.

SIGNATURE

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: Phillip W. Wilson
Vice President and
Chief Financial Officer

Dated: November 18, 1998

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FOR IMMEDIATE RELEASE

CULP REPORTS SECOND QUARTER EARNINGS

RESULTS SIGNAL IMPROVEMENT COMPARED WITH FIRST PERIOD

HIGH POINT, N.C. (Nov. 18, 1998) Culp, Inc. (NYSE: CFI) today reported net sales and net income for the second quarter of its 1999 fiscal year.

For the three months ended November 1, 1998, Culp reported that net sales increased 4.3% to \$128.2 million compared with \$122.9 million a year ago. Net income for the quarter was \$1.3 million, or \$0.10 per share diluted, compared with \$4.5 million, or \$0.35 per share diluted, a year ago.

Net sales for the first half of fiscal 1999 totaled \$238.8 million, up 7.4% from \$222.4 million in the first six months of fiscal 1998. The company reported a loss for the first half of \$1.3 million, or \$0.10 per share, compared with net income of \$7.4 million, or \$0.57 per share diluted, in the year-earlier period.

"The net income for the second quarter represents a gratifying improvement compared with our corporate performance in the first period," said Robert G. Culp, III, chief executive officer. "We are encouraged by the progress realized to date through the actions taken to restore Culp's profitability. Our focus has included reducing costs and lowering manufacturing capacity, especially related to our international business, to match the lower level of demand that has persisted this year. We did achieve higher sales for the second quarter and first half; but those gains were due to the contributions from acquired operations.

"Our goal is to realize further progress over the remainder of this fiscal year, but we do not expect the full impact of the changes we have made to become apparent until during fiscal 2000. During the second quarter, we restructured the sales organizations for two of our four business units, Culp Decorative Fabrics and Culp Velvets/Prints. This realignment in marketing personnel was a logical extension of the corporate reorganization that was implemented earlier this year to reflect the expanded size of our business units and to support the company's planned future expansion. The response within our organization has been very supportive of these moves, and that commitment further supports our fundamental confidence about Culp's prospects."

Culp added, "Some forecasts have emerged that suggest concern about an overall economic slowdown over the next several quarters. The latest trends in factors such as consumer confidence, employment levels and mortgage rates, however, suggest a favorable outlook for overall consumer spending on home furnishings. We are very pleased with the response to the new patterns and textures that Culp introduced to retailers at the recent trade conference. Enhancing the value of our fabrics to manufacturers of furniture and bedding remains our mission, and the continued integration of our expanded design resources with the company's broad manufacturing capabilities is a vital component in our strategy."

Culp, Inc. 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 primarily in the production of residential and commercial furniture and bedding products.

CULP, INC.
Condensed Financial Highlights
(Unaudited)

	Three Months Ended	
	November 1, 1998	November 2, 1997
Net sales	\$ 128,159,000	\$ 122,926,000
Net income	\$ 1,307,000	\$ 4,505,000
Net income per share:		
Basic	\$ 0.10	\$ 0.36
Diluted	\$ 0.10	\$ 0.35
Average shares outstanding:		
Basic	12,995,000	12,668,000
Diluted	13,120,000	12,980,000

	Six Months Ended	
	November 1, 1998	November 2, 1997
Net sales	\$ 238,826,000	\$ 222,424,000
Net income (loss)	\$ (1,333,000)	\$ 7,355,000
Net income (loss) per share:		
Basic	\$ (0.10)	\$ 0.58
Diluted	\$ (0.10)	\$ 0.57
Average shares outstanding:		
Basic	12,998,000	12,649,000
Diluted	13,175,000	12,953,000

This release contains statements that could be deemed "forward-looking statements," within the meaning of the federal securities laws. Such 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 affect the company adversely. Because of the increasing percentage of the company's sales derived by international shipments, strengthening of the U.S. dollar against other currencies could make the company's products less competitive on the basis of price in markets outside the United States. Additionally, economic and political instability in international areas could affect the demand for the company's products.

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CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE THREE MONTHS AND SIX MONTHS ENDED NOVEMBER 1, 1998 AND NOVEMBER 2, 1997

(Amounts in Thousands, Except for Per Share Data)

THREE MONTHS ENDED (UNAUDITED)

	Amounts			Percent of Sales	
	November 1, 1998	November 2, 1997	% Over (Under)	1999	1998

Net sales	\$ 128,159	122,926	4.3 %	100.0 %	100.0 %
Cost of sales	107,685	100,191	7.5 %	84.0 %	81.5 %
Gross profit	20,474	22,735	(9.9) %	16.0 %	18.5 %
Selling, general and administrative expenses	15,474	13,632	13.5 %	12.1 %	11.1 %
Income from operations	5,000	9,103	(45.1) %	3.9 %	7.4 %
Interest expense	2,464	1,820	35.4 %	1.9 %	1.5 %
Interest income	(19)	(72)	(73.6) %	(0.0) %	(0.1) %
Other expense (income), net	604	425	42.1 %	0.5 %	0.3 %
Income before income taxes	1,951	6,930	(71.8) %	1.5 %	5.6 %
Income taxes *	644	2,425	(73.4) %	33.0 %	35.0 %
Net income	\$ 1,307	4,505	(71.0) %	1.0 %	3.7 %
	=====	=====	=====	=====	=====
Net income per share	\$0.10	\$0.36	(72.2) %		
Net income per share, assuming dilution	\$0.10	\$0.35	(71.4) %		
Dividends per share	\$0.035	\$0.035	0.0 %		
Average shares outstanding	12,995	12,668	2.6 %		
Average shares outstanding, assuming dilution	13,120	12,980	1.1 %		

SIX MONTHS ENDED (UNAUDITED)

	Amounts			Percent of Sales	
	November 1, 1998	November 2, 1997	% Over (Under)	1999	1998

Net sales	\$ 238,826	222,424	7.4 %	100.0 %	100.0 %
Cost of sales	204,741	182,956	11.9 %	85.7 %	82.3 %
Gross profit	34,085	39,468	(13.6) %	14.3 %	17.7 %
Selling, general and administrative expenses	29,947	24,548	22.0 %	12.5 %	11.0 %
Income from operations	4,138	14,920	(72.3) %	1.7 %	6.7 %
Interest expense	4,825	3,100	55.6 %	2.0 %	1.4 %
Interest income	(72)	(162)	(55.6) %	(0.0) %	(0.1) %
Other expense (income), net	1,374	667	106.0 %	0.6 %	0.3 %
Income (loss) before income taxes	(1,989)	11,315	(117.6) %	(0.8) %	5.1 %
Income taxes *	(656)	3,960	(116.6) %	33.0 %	35.0 %
Net income (loss)	\$ (1,333)	7,355	(118.1) %	(0.6) %	3.3 %
	=====	=====	=====	=====	=====
Net income (loss) per share	(\$0.10)	\$0.58	(117.2) %		
Net income (loss) per share, assuming dilution	(\$0.10)	\$0.57	(117.5) %		
Dividends per share	\$0.07	\$0.07	0.0 %		
Average shares outstanding	12,998	12,649	2.8 %		
Average shares outstanding, assuming dilution	13,175	12,953	1.7 %		

* Percent of sales column is calculated as a % of income (loss) before income taxes.

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
NOVEMBER 1, 1998, NOVEMBER 2, 1997 AND MAY 3, 1998
Unaudited
(Amounts in Thousands)

	Amounts		Increase (Decrease)		* May 3, 1998
	November 1, 1998	November 2, 1997	Dollars	Percent	
Current assets					
Cash and cash investments	\$ 1,177	1,209	(32)	(2.6) %	2,312
Accounts receivable	72,998	74,314	(1,316)	(1.8) %	73,773
Inventories	72,392	70,192	2,200	3.1 %	78,594
Other current assets	7,230	6,136	1,094	17.8 %	7,808
Total current assets	153,797	151,851	1,946	1.3 %	162,487
Restricted investments	3,409	8,258	(4,849)	(58.7) %	4,021
Property, plant & equipment, net	126,050	107,377	18,673	17.4 %	128,805
Goodwill	54,433	49,778	4,655	9.4 %	55,162
Other assets	4,333	3,715	618	16.6 %	4,340
Total assets	\$ 342,022	320,979	21,043	6.6 %	354,815
Current liabilities					
Current maturities of long-term debt	\$ 1,678	100	1,578	1,578.0 %	3,325
Accounts payable	32,640	36,709	(4,069)	(11.1) %	37,214
Accrued expenses	17,143	15,175	1,968	13.0 %	17,936
Income taxes payable	0	1,034	(1,034)	(100.0) %	1,282
Total current liabilities	51,461	53,018	(1,557)	(2.9) %	59,757
Long-term debt	150,210	139,991	10,219	7.3 %	152,312
Deferred income taxes	11,227	9,965	1,262	12.7 %	11,227
Total liabilities	212,898	202,974	9,924	4.9 %	223,296
Shareholders' equity	129,124	118,005	11,119	9.4 %	131,519
Total liabilities and shareholders' equity	\$ 342,022	320,979	21,043	6.6 %	354,815
Shares outstanding	12,995	12,687	308	2.4 %	13,007

* Derived from audited financial statements.

CULP, INC. FINANCIAL
INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED NOVEMBER 1, 1998 AND NOVEMBER 2, 1997
Unaudited
(Amounts in Thousands)

	SIX MONTHS ENDED	
	Amounts	
	November 1, 1998	November 2, 1997
Cash flows from operating activities:		
Net income (loss)	\$ (1,333)	7,355
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	9,198	6,869
Amortization of intangible assets	829	533
Changes in assets and liabilities:		
Accounts receivable	775	(17,623)
Inventories	6,202	(11,813)
Other current assets	578	(686)
Other assets	(93)	(188)
Accounts payable	(2,395)	10,668
Accrued expenses	(793)	295
Income taxes payable	(1,282)	(546)
Net cash provided by (used in) operating activities	11,686	(5,136)
Cash flows from investing activities:		
Capital expenditures	(6,443)	(19,216)
Purchases of restricted investments	(66)	(8,662)
Purchase of investments to fund deferred compensation liability	0	(581)
Sale of restricted investments	678	11,422
Business acquired	0	(36,628)
Net cash used in investing activities	(5,831)	(53,665)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	2,535	63,500
Principal payments on long-term debt	(6,284)	(50)
Change in accounts payable-capital expenditures	(2,179)	(3,862)
Dividends paid	(910)	(889)
Common stock issued (purchased)	(152)	481
Net cash provided by (used in) financing activities	(6,990)	59,180
Increase (decrease) in cash and cash investments	(1,135)	379
Cash and cash investments at beginning of period	2,312	830
Cash and cash investments at end of period	\$ 1,177	1,209

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL ANALYSIS
NOVEMBER 1, 1998

	FISCAL 98		FISCAL 99			LTM
	Q2	Q1	Q2	Q3	Q4	
INVENTORIES						
Inventory turns	6.1	4.9	5.7			
RECEIVABLES						
Days sales in receivables	55	48	52			
Percent current & less than 30 days past due	97.8%	93.8%	94.9%			
WORKING CAPITAL						
Current ratio	2.9	3.1	3.0			
Working capital turnover (4)	4.8	4.5	4.4			
Operating working capital (4)	\$107,797	\$111,481	\$112,750			
PROPERTY, PLANT & EQUIPMENT						
Depreciation rate	7.4%	7.7%	8.4%			
Percent property, plant & equipment are depreciated	45.3%	43.8%	45.0%			
Capital expenditures	\$35,879 (1)	\$2,858	\$3,585			
PROFITABILITY						
Return on average total capital	10.0%	(1.6%)	4.2%			4.8%
Return on average equity	15.6%	(8.1%)	4.1%			5.4%
Net income (loss) per share	\$0.36	(\$0.20)	\$0.10			\$0.53
Net income (loss) per share (diluted)	\$0.35	(\$0.20)	\$0.10			\$0.52
LEVERAGE (3)						
Total liabilities/equity	172.0%	167.2%	164.9%			
Funded debt/equity	111.7%	119.7%	115.0%			
Funded debt/capital employed	52.8%	54.5%	53.5%			
Funded debt	\$131,833	\$153,559	\$148,479			
Funded debt/EBITDA (LTM) (6)	3.1	3.75	3.95			
EBITDA/Interest expense, net (LTM)	8.5	4.9	4.2			
OTHER						
Book value per share	\$9.30	\$9.87	\$9.94			
Employees at quarter end	3,554	4,230	4,014			
Sales per employee (annualized)	\$146,000	\$103,000	\$124,000			
Capital employed (3)	\$249,838	\$281,831	\$277,603			
Effective income tax rate	35.0%	33.0%	33.0%			
EBITDA (2)	\$12,643	\$3,142	\$9,649			\$35,977
EBITDA/net sales	10.3%	2.8%	7.5%			7.3%

(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 capitalized interest and pro forma amounts for Wetumpka and Artee acquisitions.

CULP, INC. FINANCIAL INFORMATION RELEASE
 SALES BY PRODUCT CATEGORY/BUSINESS UNIT
 FOR THE THREE MONTHS AND SIX MONTHS ENDED NOVEMBER 1, 1998 AND NOVEMBER 2, 1997
 (Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)					
Product Category/Business Unit	Amounts			Percent of Total Sales	
	November 1, 1998	November 2, 1997	% Over (Under)	1999	1998
Upholstery Fabrics					
Culp Decorative Fabrics	\$ 59,573	56,781	4.9 %	46.5 %	46.2 %
Culp Velvets/Prints	38,728	43,928	(11.8) %	30.2 %	35.7 %
	98,301	100,709	(2.4) %	76.7 %	81.9 %
Mattress Ticking					
Culp Home Fashions	23,491	22,217	5.7 %	18.3 %	18.1 %
Yarn					
Culp Yarn	6,367	0	100.0 %	5.0 %	0.0 %
	* \$ 128,159	122,926	4.3 %	100.0 %	100.0 %
	128,159	122,926	4.3 %	100.0 %	100.0 %

SIX MONTHS ENDED (UNAUDITED)					
Product Category/Business Unit	Amounts			Percent of Total Sales	
	November 1, 1998	November 2, 1997	% Over (Under)	1999	1998
Upholstery Fabrics					
Culp Decorative Fabrics	\$ 111,018	96,595	14.9 %	46.5 %	43.4 %
Culp Velvets/Prints	68,722	82,325	(16.5) %	28.8 %	37.0 %
	179,740	178,920	0.5 %	75.3 %	80.4 %
Mattress Ticking					
Culp Home Fashions	46,123	43,504	6.0 %	19.3 %	19.6 %
Yarn					
Culp Yarn	12,963	0	100.0 %	5.4 %	0.0 %
	* \$ 238,826	222,424	7.4 %	100.0 %	100.0 %
	238,826	222,424	7.4 %	100.0 %	100.0 %

* U.S. sales were \$94,472 and \$87,622 for the second quarter of fiscal 1999 and fiscal 1998, respectively; and \$178,782 and \$162,029 for the six months of fiscal 1999 and fiscal 1998, respectively. The percentage increase in U.S. sales was 7.8% for the second quarter and an increase of 10.3% for the six months.

CULP, INC. FINANCIAL INFORMATION RELEASE
INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THE THREE MONTHS AND SIX MONTHS ENDED NOVEMBER 1, 1998 AND NOVEMBER 2, 1997
(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts			Percent of Total Sales	
	November 1, 1998	November 2, 1997	% Over (Under)	1999	1998
North America (Excluding USA) \$	8,502	8,162	4.2 %	25.2 %	23.1 %
Europe	7,223	6,624	9.0 %	21.4 %	18.8 %
Middle East	10,060	7,439	35.2 %	29.9 %	21.1 %
Far East & Asia	5,435	9,720	(44.1) %	16.1 %	27.5 %
South America	1,238	1,216	1.8 %	3.7 %	3.4 %
All other areas	1,229	2,143	(42.7) %	3.6 %	6.1 %
	-----	-----	-----	-----	-----
\$	33,687	35,304	(4.6) %	100.0 %	100.0 %
	=====	=====	=====	=====	=====

SIX MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts			Percent of Total Sales	
	November 1, 1998	November 2, 1997	% Over (Under)	1999	1998
North America (Excluding USA) \$	15,755	15,206	3.6 %	26.2 %	25.2 %
Europe	10,906	11,125	(2.0) %	18.2 %	18.4 %
Middle East	18,360	14,003	31.1 %	30.6 %	23.2 %
Far East & Asia	10,303	15,662	(34.2) %	17.2 %	25.9 %
South America	2,238	1,462	53.1 %	3.7 %	2.4 %
All other areas	2,482	2,937	(15.5) %	4.1 %	4.9 %
	-----	-----	-----	-----	-----
\$	60,044	60,395	(0.6) %	100.0 %	100.0 %
	=====	=====	=====	=====	=====

International sales, and the percentage of total sales, for each of the last seven fiscal years follows: fiscal 1992-\$ 37,913 (20%); fiscal 1993-\$ 41,471 (21%); 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 the second quarter represented 26.3% and 28.7% for 1999 and 1998, respectively. Year-to-date international sales represented 25.1% and 27.2% of total sales for 1999 and 1998, respectively.

Culp, Inc.
SALES BY BUSINESS UNIT - TREND ANALYSIS
1997 vs 1998 vs 1999
Unaudited
(Amounts in thousands)

Product Category/Business Units	Fiscal 1997					Fiscal 1998				
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL

Upholstery Fabrics										
Culp Decorative Fabrics	38,966	45,723	39,342	43,699	167,730	39,814	56,781	53,415	60,155	210,165
Culp Velvets/Prints	34,867	40,233	40,387	40,980	156,467	38,397	43,928	44,020	45,044	171,389
	73,833	85,956	79,729	84,679	324,197	78,211	100,709	97,435	105,199	381,554
Mattress Ticking										
Culp Home Fashions	16,696	19,248	17,739	20,999	74,682	21,287	22,217	20,261	23,520	87,285
Yarn										
Culp Yarn	-	-	-	-	-	-	-	761	7,115	7,876
	90,529	105,204	97,468	105,678	398,879	99,498	122,926	118,457	135,834	476,715
=====										

Percent increase(decrease) from prior year:

Product Category/Business Units	-----									
Upholstery Fabrics										
Culp Decorative Fabrics	18.3	12.4	0.2	(4.4)	5.8	2.2	24.2	35.8	37.7	25.3
Culp Velvets/Prints	48.2	25.4	26.9	7.1	24.5	10.1	9.2	9.0	9.9	9.5
	30.8	18.1	12.2	0.8	14.0	5.9	17.2	22.2	24.2	17.7
Mattress Ticking										
Culp Home Fashions	5.1	7.4	15.3	15.5	10.8	27.5	15.4	14.2	12.0	16.9
Yarn										
Culp Yarn	-	-	-	-	-	-	-	100.0	100.0	100.0
	25.1	16.0	12.7	3.4	13.4	9.9	16.8	21.5	28.5	19.5
=====										
Overall Growth Rate										
Internal (without acquisitions)	25.1	16.0	12.7	3.4	13.4	9.9	6.6	9.2	11.6	9.3
External	-	-	-	-	-	-	10.2	12.3	16.9	10.2
	25.1	16.0	12.7	3.4	13.4	9.9	16.8	21.5	28.5	19.5
=====										

Culp, Inc.
SALES BY BUSINESS UNIT - TREND ANALYSIS
1997 vs 1998 vs 1999
Unaudited
(Amounts in thousands)

Product Category/Business Units	Fiscal 1999				
	Q1	Q2	Q3	Q4	TOTAL
Upholstery Fabrics					
Culp Decorative Fabrics	51,445	59,573			111,018
Culp Velvets/Prints	29,994	38,728			68,722
	81,439	98,301			179,740
Mattress Ticking					
Culp Home Fashions	22,632	23,491			46,123
Yarn					
Culp Yarn	6,596	6,367			12,963
	110,667	128,159			238,826

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

Upholstery Fabrics					
Culp Decorative Fabrics	29.2	4.9			14.9
Culp Velvets/Prints	(21.9)	(11.8)			(16.5)
	4.1	(2.4)			0.5
Mattress Ticking					
Culp Home Fashions	6.3	5.7			6.0
Yarn					
Culp Yarn	100.0	100.0			100.0
	11.2	4.3			7.4
Overall Growth Rate					
Internal (without acquisitions)	(4.6)	(0.9)			(2.5)
External	15.8	5.2			9.9
	11.2	4.3			7.4

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE

for the three and six month periods ended November 1, 1998 and November 2, 1997

INCOME STATEMENT COMMENTS

GENERAL - Net sales increased 4.3% to \$128.2 million, and the company reported net income of \$1.3 million compared with net income of \$4.5 million for the second quarter of last year. Net sales for the quarter, excluding Artee Industries, decreased .9% versus the same quarter of last year. Artee Industries was acquired at the beginning of the fourth quarter of fiscal 1998. For the six months ended November 1, 1998, the company reported a loss of \$1.3 million, or \$0.10 per share, compared with net income of \$7.4 million, or \$0.57 per share diluted, in the year-earlier period.

In building its business the company has emphasized 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 52% of net sales for the quarter. No one customer accounted for more than 7% of net sales during the second quarter of fiscal 1999;

Design Innovation - investing in the design of new patterns and textures. The company has significantly increased resources (both designers and computer-aided design (CAD) systems) in the design and product development areas in each business unit. In January 1998, the company opened its state-of-the-art design center in Burlington, North Carolina. The facility enabled most of the company's design resources to be consolidated into one facility which offers advanced CAD systems for the design process;

Vertical Integration - realizing additional manufacturing integration by developing or acquiring resources for producing an increasing proportion of the raw material components that are used in the manufacture of its products; and

Ability to Integrate Acquisitions - investing in selective acquisitions complementary to existing business units.

NET SALES - Compared with the second quarter of last year, upholstery fabric sales decreased 2.4% to \$98.3 million; mattress ticking sales increased 5.7% to \$23.5 million; and yarn sales contributed \$6.4 million for the quarter (See Sales by Business Unit schedule on Page 5 and Sales by Business Unit - Trend Analysis on Page 7). International sales were down 4.6% for the quarter. A significant decline in sales to the Far East/Asia (principally Russia) was offset by higher shipments to the Middle East.

The decline in sales of upholstery fabrics was due principally to a pronounced slowdown in international sales of wet and heat-transfer printed flock fabrics. This trend, which the company believes has also affected other manufacturers of upholstery fabrics, became apparent after the close of fiscal 1998 and has been persistent thus far in fiscal 1999. A large percentage of the company's sales of this product line were being shipped directly or indirectly to customers in the emerging markets of Russia and other former Soviet countries, India and Eastern Europe. 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 has significantly curtailed production schedules for these fabrics and has shifted its marketing focus for this product category to geographic areas where demand is more favorable. The company is seeking to build a diversified geographic base of customers internationally to minimize the exposure to economic uncertainties in any single geographic area.

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE

for the three and six month periods ended November 1, 1998 and November 2, 1997

The increased sales by Culp Home Fashions during the second quarter marked a continuation of the longer-term expansion that this business unit has experienced. Culp's growth in sales has been driven by the introduction of new designs and fabric constructions as well as the advantages of the company's vertical integration. In particular, Culp's ability to manufacture the jacquard greige, or unfinished, goods that are then printed to produce mattress ticking has aided the company in meeting faster delivery schedules and providing improved overall customer service.

GROSS PROFIT - Gross profit declined 9.9% for the quarter versus a year ago. The decline was due principally to lower margins at the Culp Decorative Fabrics and Culp Velvets/Prints units. Factors contributing to reduced profitability of Culp Decorative Fabrics include lower-than-expected sales and competitive pressure on pricing, especially in the jacquard product category. The lower gross profit at Culp Velvets/Prints was due to the unexpectedly sharp decline in international sales of printed flock fabrics. Although this business unit has taken substantial steps to reduce operating expenses, it continued to be affected by excess manufacturing capacity and lower absorption of fixed costs during the second quarter.

To help offset the pressure on gross margins, the company has instituted a number of actions. A major change involved a reorganization from six to four business units during the first quarter. This new corporate alignment grouped related operations together and was accompanied by several changes in managerial positions. Steps underway to improve profitability that are related to this realignment include a significant reduction in the capacity for manufacturing printed flock fabrics, comprehensive programs to reduce inventories and an intense effort to reduce operating expenses and raise productivity.

S,G&A EXPENSES - S,G&A expenses for the second quarter rose as a percentage of sales to 12.1% from 11.1 % for the same period of last year. This increase was due principally to the shortfall in sales from the volume that the company had planned to support. The increase in absolute dollars from a year ago resulted from the Artee acquisition, investment in additional design resources, increased costs in sampling new product and higher costs for credit expenses.

INTEREST EXPENSE - Interest expense increased 35.4% compared with the year-earlier quarter due to higher average borrowings outstanding. The increased borrowings related principally to the acquisitions during fiscal 1998 of Phillips Mills and Artee Industries and the relatively high level of capital expenditures in fiscal 1998.

OTHER EXPENSE (INCOME), NET - Other expense (income) increased to \$604,000 from \$425,000 in the year-earlier quarter. A major factor contributing to the increase was amortization of goodwill due to the acquisitions during fiscal 1998.

INCOME TAXES - The effective tax rate for the quarter was 33.0% compared with 35.0% for the prior year.

EBITDA - EBITDA for the quarter decreased to \$9.6 million from \$12.6 million for last year's second quarter and represented 7.5% of net sales compared with 10.3% of net sales for the same period of last year.

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BALANCE SHEET COMMENTS

WORKING CAPITAL - Accounts receivable decreased 1.8% from November 2, 1997, while sales increased 4.3% for the second quarter. Day's sales outstanding represented 52 days, down from 55 days at November 2, 1997, and up from 49 days at May 3, 1998. Additionally, the aging of accounts receivable was 94.9 % current and less than 30 days past due versus 97.8% at November 2, 1997. Inventories increased 3.1 % from November 2, 1997, and inventory turns were 5.7 versus 6.1 for last year's second quarter. The inventory increase is due to the acquisition of Artee Industries, partially offset by a decrease in upholstery fabric inventories. Operating working capital (comprised of accounts receivable, inventory and accounts payable) increased to \$112.7 million at November 1, 1998, for the reasons mentioned above, from \$107.8 million at November 2, 1997. The balance at May 3, 1998 was \$115.2 million.

PROPERTY, PLANT AND EQUIPMENT - For fiscal 1999, the company has significantly reduced its planned capital spending to \$10-\$15 million as compared with \$35.9 million spent in fiscal 1998. Culp is focused instead on improving the results of the investments made during fiscal 1997 and fiscal 1998. The two largest projects that are currently underway 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 continuing growth that is expected in the company's sales of mattress ticking. 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 November 1, 1998, up from 52.8% at November 2, 1997, and even with 53.5% at May 3, 1998. Funded debt was \$148.5 million at November 1, 1998, up from \$131.8 million at November 2, 1997 and down from \$151.6 million at May 3, 1998. (Funded debt equals long-term debt, including current maturities, less restricted investments, which represent unspent IRB funds). The decrease in funded debt from May 3, 1998 resulted primarily from an operating cash flow of \$11.7 million, offset by capital expenditures of \$6.4 million and a decrease in accounts payable related to capital expenditures of \$2.2 million.