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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) November 23, 2004

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 2.02 - Results of Operations and Financial Condition

On November 23, 2004, Culp, Inc. (the "Registrant" or the "company") issued a news release to announce its financial results for the second quarter ended October 31, 2004. The news release is attached hereto as Exhibit 99(a).

Also on November 23, 2004, the Registrant released a Financial Information Release containing additional financial information and disclosures about the Registrant's second quarter ended October 31, 2004. 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 performance measure, that management believes provides useful information to investors because it measures the company's available cash flow for potential debt repayment, stock repurchases and additions to cash and cash equivalents. In addition, the news release and Financial Information Release contain proforma income statement information, which reconciles the reported and projected income statement information with proforma results, which exclude restructuring and related charges and goodwill impairment. The company has included this proforma information in order to show operational performance excluding the effects of restructuring and related charges and goodwill impairment that are not expected to occur on a regular basis. Management believes this presentation aids in the comparison of financial results among comparable financial periods.

Forward Looking Information. This Report and the exhibits attached hereto contain statements that may be deemed "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. 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 the company's future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. 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, 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. Also, economic and political instability in international areas could affect the company's operations or sources of goods in those areas, as well as demand for the company's products in international markets. Finally, unanticipated delays or costs in executing restructuring actions could cause the cumulative effect of restructuring actions to fail to meet the objectives set forth by management. Other factors that could affect the matters discussed in forward looking statements are included in the company's periodic reports filed with the Securities and Exchange Commission.

Item 9.01 (c) -- Exhibits

99(a) News Release dated November 23, 2004

99(b) Financial Information Release dated November 23, 2004

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: Franklin N. Saxon

President and Chief Operating Officer

By: Kenneth R. Bowling

Vice President-Finance, Treasurer

Dated: November 23, 2004
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Culp Announces Second Quarter Fiscal 2005 Results

HIGH POINT, N.C.--(BUSINESS WIRE)--Nov. 23, 2004--Culp, Inc. (NYSE:CFI) today reported financial and operating results for the fiscal 2005 second quarter and six months ended October 31, 2004. Highlights for the second quarter include:

- Strategic plan announced in October expected to realize over $14 million in annual savings
- Restructuring actions underway to consolidate domestic capacity
- Continued expansion of offshore manufacturing and sourcing capabilities, with sales of these upholstery fabrics up 143 percent over the same period last year
- Long-term debt-to-capital ratio of 34.1 percent compared with 43.7 percent a year ago

Overview

For the three months ended October 31, 2004, net sales were $75.4 million compared with $82.7 million a year ago. The company reported a net loss of $4.2 million, or $0.36 per diluted share, for the second quarter of fiscal 2005 compared with net income of $3.1 million, or $0.27 per diluted share, for the second quarter of fiscal 2004. The financial results for the second quarter of fiscal 2005 include $7.5 million, or $0.41 per diluted share, in restructuring and related charges and goodwill impairment. Excluding these charges, net income for the second fiscal quarter was $505,000, or $0.04 per diluted share. (A reconciliation of the net income (loss) and net income (loss) per share calculations has been set forth on Page 5.)

For the six months ended October 31, 2004, the company reported net sales of $143.3 million compared with $156.4 million for the same period a year ago. The first six months of fiscal 2005 included 26 weeks versus 27 weeks for the same period of fiscal 2004. Net loss for the first six months of fiscal 2005 was $5.2 million, or $0.45 per diluted share, compared with net income of $2.7 million, or $0.23 per diluted share, for the same period last year. Excluding restructuring and related charges and goodwill impairment, net loss for the first six months of fiscal 2005 was $589,000, or $0.05 per diluted share.

Robert G. Culp, III, chairman of the board and chief executive officer of Culp, Inc., said, "As we previously announced, our results for the second fiscal quarter reflect lower demand for our domestically produced upholstery fabrics, a difficult pricing environment for mattress fabrics and raw material price increases. Given the ongoing challenges in our industry, we recognize the need to move the company forward and take more aggressive steps to effectively position Culp in today's global marketplace. We believe our recently announced strategy for reconfiguring Culp's manufacturing operations will ultimately make us a more efficient producer and marketer of upholstery and mattress fabrics."

Mattress Fabrics Segment

Mattress fabric (known as mattress ticking) sales were $26.9 million compared with $26.8 million for the second quarter of fiscal 2004. Operating income for this segment was $2.7 million, or 10.0 percent of sales, compared with $4.2 million, or 15.9 percent of sales, for the prior-year period. Operating margins in this segment were affected by industry-wide pricing pressures, as well as higher raw material costs and inventory mark-downs related to certain customer start-up programs.

"We are realizing meaningful gains with key customers and believe we have a significant advantage with our globally competitive cost structure in mattress ticking," noted Culp. "However, we have faced some recent challenges in achieving our target operating margins. Therefore, as previously announced, we have identified significant cost reduction opportunities with respect to our mattress ticking operations. We are consolidating these operations into two plants (Quebec, Canada and Stokesdale, North Carolina), which will involve relocating ticking manufacturing equipment from an upholstery fabric facility and purchasing faster and more efficient looms to replace certain older equipment. These activities are already underway as planned with minimal disruption to our current production schedule, and we anticipate they will be completed by August 2005. We are confident that this capital project and the expected $4.5 million in savings will further enhance our competitive position and allow us to better serve our customers."

Upholstery Fabrics Segment

Sales for this segment were $48.5 million, a 13.3 percent decline compared with $55.9 million in the second quarter of fiscal 2004. Operating income was $216,000, or 0.4 percent of sales, compared with $3.5 million, or 6.2 percent of sales for the same period a year ago. Sales of upholstery fabrics reflect continued soft demand industrywide for U.S. produced fabrics and the absence of a seasonal recovery that typically occurs in the fall. Additionally, the current consumer preference for leather furniture is affecting the overall demand for upholstery fabrics.

Culp said, "We believe our previously announced plans to consolidate our U.S. manufacturing facilities will allow us to reduce costs and improve our profitability in the upholstery fabrics segment.

Additionally, we believe this reconfiguration will more efficiently utilize our domestic operations, especially for our promotional, commercial fabric and make-to-order businesses. As planned, the implementation of this consolidation is already in progress and we are pleased with the transition we have experienced so far in our plants. At the same time, we are aggressively pursuing our strategy to source upholstery fabrics that we do not manufacture in the U.S. Sales of upholstery fabrics produced outside of our U.S. manufacturing plants, which include the popular micro-denier suedes as well as fabrics produced at our China facility, accounted for 14.4 percent of Culp's overall upholstery fabric sales during the quarter, compared with 5.1 percent for the same period a year ago. We believe that blending efficient domestic manufacturing with a well executed offshore manufacturing and sourcing strategy allows us to meet the changing demands of our customers.

Balance Sheet

"Maintaining a strong balance sheet and carefully managing our working capital continue to be top priorities for Culp during this period of transition," Culp added. "At the end of the second fiscal quarter, our balance sheet reflects $16.5 million in cash and cash equivalents. Long-term debt stands at $51.2 million and our long-term debt-to-capital ratio is 34.1 percent compared with 43.7 percent a year ago. Our solid financial position provides us with the flexibility to pursue our strategic initiatives."

Outlook

Commenting on the business outlook, Culp remarked, "The third quarter is typically a slower period for our overall business as a result of traditional holiday plant shutdowns. For the current quarter, we expect mattress ticking sales will approximate the third quarter sales last year and expect the operating income margin in this segment to approximate the margin of 10.0 percent reported for the second quarter of this year. With respect to the upholstery fabrics segment, the outlook remains uncertain for a recovery in demand for domestically produced upholstery fabrics. For the third quarter, upholstery fabrics segment sales are expected to decrease slightly more than the second quarter decline of 13.3 percent. We expect this sales decline and the related underutilization of U.S. capacity, combined with the raw material price increases we are experiencing, will result in an operating loss for this segment. Given these trends and the current industry dynamics, we expect to report a net loss in the range of $0.06 to $0.10 per share diluted, excluding previously announced restructuring and related charges, with the actual results depending primarily on the level of demand throughout the quarter."

The company estimates that restructuring and related charges of approximately $7.0 million ($4.4 million, net of taxes, or $0.38 per diluted share) will be incurred during the third fiscal quarter. Including the restructuring and related charges, the company expects to report a net loss for the third fiscal quarter of $0.44 to $0.48 per diluted share. (A reconciliation of the projected net loss per share calculation has been set forth on page 5.)

Culp added, "We are developing the growth opportunities that are available in the market as a result of our offshore manufacturing and sourcing capabilities. Over the next year we will also focus on our initiatives to reduce our costs, increase our asset utilization in the company's U.S. upholstery fabric operations and improve our profitability. We are excited about the opportunities ahead for Culp and believe the restructuring plans, once completed, will complement our offshore capabilities and provide us with the right platform to compete more effectively in today's global economy. Our core strengths, including design creativity, exceptional customer service and financial soundness, provide us with confidence that we will reach our objectives."

About the Company

Culp, Inc. is one of the world's largest marketers of mattress fabrics for bedding and upholstery fabrics for furniture. The company's fabrics are used principally in the production of bedding products and residential and commercial upholstered furniture.

This release contains statements that may be deemed "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. 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 the company's future operations, production levels, sales, SG&A or other expenses, margins, gross profit, operating income, earnings or other performance measures. 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, 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. Also, economic and political instability in international areas could affect the company's operations or sources of goods in those areas, as well as demand for the company's products in international markets. Finally, unanticipated delays or costs in executing restructuring actions could cause the cumulative effect of restructuring actions to fail to meet the objectives set forth by management. Other factors that could affect the matters discussed in forward-looking statements are included in the company's periodic reports filed with the Securities and Exchange Commission.

CULP, INC.
Condensed Financial Highlights
(Unaudited)

	Three Months Ended		Six Months Ended	
	October 31, 2004	November 2, 2003	October 31, 2004	November 2, 2003
Net sales	$75,406,000	$82,731,000	$143,255,000	$156,407,000
Net income (loss)	$(4,193,000)	$ 3,146,000	$ (5,245,000)	$ 2,735,000
Net income (loss) per share:				
Basic	$ (0.36)	$ 0.27	$ (0.45)	$ 0.24
Diluted	$ (0.36)	$ 0.27	$ (0.45)	$ 0.23
Net income per share, diluted, excluding restructuring and related charges and goodwill impairment(a)	$ 0.04	$ 0.27	$ (0.05)	$ 0.23
Average shares outstanding:				
Basic	11,549,000	11,524,000	11,548,000	11,519,000
Diluted	11,549,000	11,774,000	11,548,000	11,718,000

(a) Excludes restructuring and related charges and goodwill impairment of $7.5 million ($4.7 million or $0.41 per diluted share, after taxes) for the second quarter of fiscal 2005. Excludes restructuring and related charges and goodwill impairment of $7.5 million ($4.7 million or $0.40 per diluted share, after taxes) for the first six months of fiscal 2005.

Reconciliation of Net Income (Loss) as Reported to
Pro Forma Net Income (Loss)
(Unaudited)

	Three Months Ended		Six Months Ended	
	October 31, 2004	November 2, 2003	October 31, 2004	November 2, 2003
Net income (loss), as reported	$(4,193,000)	$ 3,146,000	$ (5,245,000)	$ 2,735,000
Restructuring and related charges and goodwill impairment, net of income taxes	4,698,000	0	4,656,000	0
Pro forma net income (loss)	$ 505,000	$ 3,146,000	$ (589,000)	$ 2,735,000

Reconciliation of Net Income (Loss) Per Share as Reported to
Pro Forma Net Income (Loss) Per Share
(Unaudited)

	Three Months Ended		Six Months Ended	
	October 31, 2004	November 2, 2003	October 31, 2004	November 2, 2003
Net income (loss) per share, as reported	$ (0.36)	$ 0.27	$ (0.45)	$ 0.24
Restructuring and related charges and goodwill impairment, net of income				

taxes	0.41	0.00	0.40	0.00
Effect of rounding	(0.01)	0.00	0.00	0.00
Pro forma net income (loss) per share	$ 0.04	$ 0.27	$ (0.05)	$ 0.24

Culp Inc.
Reconciliation of Projected Range of Net Loss Per Share
to Projected Range of Pro Forma Net Loss Per Share
(Unaudited)

	Three Months Ending January 30, 2005
Projected range of net loss per diluted share	$(0.44)-$(0.48)
Projected restructuring and related charges, net of income taxes	0.38
Projected range of pro forma net loss per diluted share	$(0.06)-$(0.10)

CONTACT: Culp, Inc., High Point
Investor Contact:
Kathy J. Hardy, 336-888-6209
or
Media Contact:
Kenneth M. Ludwig, 336-889-5161

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE THREE MONTHS AND SIX MONTHS ENDED OCTOBER 31, 2004 AND NOVEMBER 2, 2003
(UNAUDITED)
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED				
	Amounts			Percent of Sales	
	October 31, 2004	November 2, 2003	% Over (Under)	October 31, 2004	November 2, 2003
Net sales	$ 75,406	82,731	(8.9)%	100.0 %	100.0 %
Cost of sales	65,839	65,993	(0.2)%	87.3 %	79.8 %
Gross profit	9,567	16,738	(42.8)%	12.7 %	20.2 %
Selling, general and administrative expenses	8,838	10,296	(14.2)%	11.7 %	12.4 %
Goodwill impairment	5,126	0	100.0 %	6.8 %	0.0 %
Restructuring expense	1,292	0	100.0 %	1.7 %	0.0 %
Income (loss) from operations	(5,689)	6,442	(188.3)%	(7.5)%	7.8 %
Interest expense	937	1,509	(37.9)%	1.2 %	1.8 %
Interest income	(29)	(121)	(76.0)%	(0.0)%	(0.1)%
Other expense	173	62	179.0 %	0.2 %	0.1 %
Income (loss) before income taxes	(6,770)	4,992	(235.6)%	(9.0)%	6.0 %
Income taxes*	(2,577)	1,846	(239.6)%	38.1 %	37.0 %
Net income (loss)	$ (4,193)	3,146	(233.3)%	(5.6)%	3.8 %
Net income (loss) per share-basic	($0.36)	$ 0.27	(233.3)%		
Net income (loss) per share-diluted	($0.36)	$ 0.27	(233.3)%		
Net income per share, diluted, excluding restructuring and related charges and goodwill impairment (see proforma statement on page 7)	$ 0.04	$ 0.27	(85.2)%		
Average shares outstanding-basic	11,549	11,524	0.2 %		
Average shares outstanding-diluted	11,549	11,774	(1.9)%		

	SIX MONTHS ENDED				
	Amounts			Percent of Sales	
	October 31, 2004	November 2, 2003	% Over (Under)	October 31, 2004	November 2, 2003
Net sales	$ 143,255	156,407	(8.4)%	100.0 %	100.0 %
Cost of sales	125,013	128,191	(2.5)%	87.3 %	82.0 %
Gross profit	18,242	28,216	(35.3)%	12.7 %	18.0 %
Selling, general and administrative expenses	18,118	20,812	(12.9)%	12.6 %	13.3 %
Goodwill impairment	5,126	0	100.0 %	3.6 %	0.0 %
Restructuring expense	1,154	0	100.0 %	0.8 %	0.0 %
Income (loss) from operations	(6,156)	7,404	(183.1)%	(4.3)%	4.7 %
Interest expense	1,877	3,006	(37.6)%	1.3 %	1.9 %
Interest income	(56)	(243)	(77.0)%	(0.0)%	(0.2)%
Other expense	387	301	28.6 %	0.3 %	0.2 %
Income (loss) before income taxes	(8,364)	4,340	(292.7)%	(5.8)%	2.8 %
Income taxes*	(3,119)	1,605	(294.3)%	37.3 %	37.0 %
Net income (loss)	$ (5,245)	2,735	(291.8)%	(3.7)%	1.7 %
Net income (loss) per share-basic	($0.45)	$ 0.24	(287.5)%		
Net income (loss) per share-diluted	($0.45)	$ 0.23	(295.7)%		
Net income (loss) per share, diluted, excluding restructuring and related charges and goodwill impairment (see proforma statement on page 8)	($0.05)	$ 0.23	(121.7)%		
Average shares outstanding-basic	11,548	11,519	0.3 %		
Average shares outstanding-diluted	11,548	11,718	(1.5)%		

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

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 2004, NOVEMBER 2, 2003 AND MAY 2, 2004
Unaudited
(Amounts in Thousands)

	Amounts		Increase (Decrease)		
	October 31, 2004	November 2, 2003	Dollars	Percent	* May 2, 2004
Current Assets					
Cash and cash equivalents	$ 16,505	16,623	(118)	(0.7)%	14,568
Short-term investments	0	15,134	(15,134)	(100.0)%	0
Accounts receivable	26,590	31,342	(4,752)	(15.2)%	30,719
Inventories	48,528	53,848	(5,320)	(9.9)%	49,045
Deferred income taxes	4,980	12,303	(7,323)	(59.5)%	9,256
Other current assets	3,100	3,211	(111)	(3.5)%	1,634
Total current assets	99,703	132,461	(32,758)	(24.7)%	105,222
Property, plant & equipment, net	76,062	81,219	(5,157)	(6.3)%	77,770
Goodwill	4,114	9,240	(5,126)	(55.5)%	9,240
Deferred income taxes	834	0	834	100.0 %	0
Other assets	1,327	1,892	(565)	(29.9)%	1,496
Total assets	$ 182,040	224,812	(42,772)	(19.0)%	193,728
Current liabilities					
Current maturities of long-term debt	$ 594	539	55	10.2 %	528
Accounts payable	15,192	23,928	(8,736)	(36.5)%	15,323
Accrued expenses	11,962	13,522	(1,560)	(11.5)%	13,028
Accrued restructuring	5,458	6,712	(1,254)	(18.7)%	4,968
Income taxes payable	0	1,578	(1,578)	(100.0)%	1,850
Total current liabilities	33,206	46,279	(13,073)	(28.2)%	35,697
Long-term debt, less current maturities	50,569	76,077	(25,508)	(33.5)%	50,502
Deferred income taxes	0	3,851	(3,851)	(100.0)%	4,138
Total liabilities	83,775	126,207	(42,432)	(33.6)%	90,337
Shareholders' equity	98,265	98,605	(340)	(0.3)%	103,391
Total liabilities and shareholders' equity	$ 182,040	224,812	(42,772)	(19.0)%	193,728
Shares outstanding	11,550	11,529	21	0.2 %	11,547

* Derived from audited financial statements

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2004 AND NOVEMBER 2, 2003
Unaudited
(Amounts in Thousands)

	SIX MONTHS ENDED	
	Amounts	
	October 31, 2004	November 2, 2003
Cash flows from operating activities:		
Net income (loss)	$ (5,245)	2,735
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	6,900	6,883
Amortization of other assets	70	91
Stock-based compensation	104	105
Goodwill impairment	5,126	0
Deferred income taxes	(696)	0
Restructuring expense	1,154	0
Changes in assets and liabilities:		
Accounts receivable	4,129	917
Inventories	517	(4,296)
Other current assets	(1,466)	(7)
Other assets	153	252
Accounts payable	1,228	5,121
Accrued expenses	(1,066)	(549)
Accrued restructuring	(440)	(1,031)
Income taxes payable	(1,850)	1,229
Net cash provided by operating activities	8,618	11,450
Cash flows from investing activities:		
Capital expenditures	(5,556)	(2,954)
Purchases of short-term investments	0	(5,147)
Net cash used in investing activities	(5,556)	(8,101)
Cash flows from financing activities:		
Payments on vendor-financed capital expenditures	(1,273)	(1,254)
Proceeds from issuance of long-term debt	133	116
Proceeds from common stock issued	15	57
Net cash used in financing activities	(1,125)	(1,081)
Increase in cash and cash equivalents	1,937	2,268
Cash and cash equivalents at beginning of period	14,568	14,355
Cash and cash equivalents at end of period	$ 16,505	16,623
Free Cash Flow (1)	$ 1,789	7,242

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(1) Free Cash Flow reconciliation is as follows:	2nd Qtr FY 2005	2nd Qtr FY 2004
A) Net cash provided by operating activities	8,618	11,450
B) Minus: Capital Expenditures	(5,556)	(2,954)
C) Minus: Payments on vendor-financed capital expenditures	(1,273)	(1,254)
	1,789	7,242

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL ANALYSIS
OCTOBER 31, 2004

	FISCAL 04	FISCAL 05			
	Q2	Q1	Q2	Q3	Q4
INVENTORIES					
Inventory turns	5.1	4.7	5.2		
RECEIVABLES					
Days sales in receivables	34	30	32		
WORKING CAPITAL					
Current ratio	2.9	3.1	3.0		
Operating working capital turnover (1)	5.3	5.1	4.9		
Operating working capital (1)	$ 61,262	$ 61,468	$ 59,926		
PROPERTY, PLANT & EQUIPMENT					
Depreciation rate	6.3%	6.1%	6.1%(4)		
Percent property, plant & equipment are depreciated	62.9%	64.2%	64.9%(4)		
Capital expenditures	$ 6,747(2)	$ 4,543	$ 1,008		
LEVERAGE					
Total liabilities/equity	128.0%	84.2%	85.3%		
Long-term debt/equity	77.7%	49.9%	52.1%		
Long-term debt/capital employed (3)	43.7%	33.3%	34.1%		
Long-term debt	$ 76,616	$ 51,064	$ 51,163		
OTHER					
Book value per share	$ 8.55	$ 8.87	$ 8.51		
Employees at quarter end	2,373	2,235	2,165		
Sales per employee (annualized)	$139,161	$119,190	$137,102		
Capital employed (3)	$175,221	$153,462	$149,428		

(1) Working capital for this calculation is accounts receivable, inventories and accounts payable.
(2) Expenditures for entire year.
(3) Capital employed represents long-term debt plus stockholders equity; Long-term debt is long-term debt plus current maturities of of long- term debt.
(4) Property, plant & equipment ratios are calculated excluding accelerated depreciation of approximately $215,000.

CULP, INC. FINANCIAL INFORMATION RELEASE
SALES, GROSS PROFIT AND OPERATING INCOME (LOSS) BY SEGMENT/DIVISION
FOR THE THREE MONTHS ENDED OCTOBER 31, 2004 AND NOVEMBER 2, 2003

(Amounts in thousands)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
Net Sales by Segment	October 31, 2004	November 2, 2003	% Over (Under)	October 31, 2004	November 2, 2003
Mattress Fabrics					
Culp Home Fashions	$ 26,886	26,788	0.4 %	35.7 %	32.4 %
Upholstery Fabrics					
Culp Decorative Fabrics	27,278	32,459	(16.0)%	36.2 %	39.2 %
Culp Velvets/Prints	21,242	23,484	(9.5)%	28.2 %	28.4 %
	48,520	55,943	(13.3)%	64.3 %	67.6 %
Net Sales	$ 75,406	82,731	(8.9)%	100.0 %	100.0 %
Gross Profit by Segment				Gross Profit Margin	
Mattress Fabrics	$ 4,461	6,329	(29.5)%	16.6 %	23.6 %
Upholstery Fabrics	6,230	10,409	(40.1)%	12.8 %	18.6 %
Restructuring related charges(1)	(1,124)	0	100.0 %	(2.3)%	0.0 %
Gross Profit	$ 9,567	16,738	(42.8)%	12.7 %	20.2 %
Operating Income (loss) by Segment				Operating Income (Loss) Margin	
Mattress Fabrics	$ 2,676	4,247	(37.0)%	10.0 %	15.9 %
Upholstery Fabrics	216	3,452	(93.7)%	0.4 %	6.2 %
Unallocated corporate expenses	(1,039)	(1,257)	(17.3)%	(1.4)%	(1.5)%
Goodwill impairment	(5,126)	0	(100.0)%	(6.8)%	0.0 %
Restructuring and related charges and credits (1)	(2,416)	0	(100.0)%	(5.0)%	0.0 %
Operating income (loss)	$ (5,689)	6,442	(188.3)%	(7.5)%	7.8 %
Depreciation by Segment					
Mattress Fabrics	$ 915(2)	942	(2.9)%		
Upholstery Fabrics	2,408(2)	2,498	(3.6)%		
Total Depreciation	$ 3,323	3,440	(3.4)%		

(1) The $1.1 million represents restructuring related charges for inventory markdowns and accelerated depreciation. The $2.4 million represents the $1.1 million restructuring related charges plus $1.3 million in restructuring charges for fixed asset write-downs and accrued termination benefits.

(2) Excludes accelerated depreciation of approximately $215,000 associated with plant and equipment scheduled to be disposed of over the next six months.

CULP, INC. FINANCIAL INFORMATION RELEASE
SALES, GROSS PROFIT AND OPERATING INCOME (LOSS) BY SEGMENT/DIVISION
FOR THE SIX MONTHS ENDED OCTOBER 31, 2004 AND NOVEMBER 2, 2003

(Amounts in thousands)

	SIX MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
Net Sales by Segment	October 31, 2004	November 2, 2003	% Over (Under)	October 31, 2004	November 2, 2003
Mattress Fabrics					
Culp Home Fashions	$ 52,839	54,008	(2.2)%	36.9 %	34.5 %
Upholstery Fabrics					
Culp Decorative Fabrics	51,197	62,076	(17.5)%	35.7 %	39.7 %
Culp Velvets/Prints	39,219	40,323	(2.7)%	27.4 %	25.8 %
	90,416	102,399	(11.7)%	63.1 %	65.5 %
Net Sales	$ 143,255	156,407	(8.4)%	100.0 %	100.0 %
Gross Profit by Segment				Gross Profit Margin	
Mattress Fabrics	$ 9,255	12,401	(25.4)%	17.5 %	23.0 %
Upholstery Fabrics	10,186	15,815	(35.6)%	11.3 %	15.4 %
Restructuring related charges(1)	(1,199)	0	100.0 %	(1.3)%	0.0 %
Gross Profit	$ 18,242	28,216	(35.3)%	12.7 %	18.0 %
Operating Income (loss) by Segment				Operating Income (Loss) Margin	
Mattress Fabrics	$ 5,575	8,391	(33.6)%	10.6 %	15.5 %
Upholstery Fabrics	(2,403)	1,733	(238.7)%	(2.7)%	1.7 %
Unallocated corporate expenses	(1,849)	(2,720)	(32.0)%	(1.3)%	(1.7)%
Goodwill impairment	(5,126)	0	(100.0)%	(3.6)%	0.0 %
Restructuring and related charges and credits (1)	(2,353)	0	(100.0)%	(2.6)%	0.0 %
Operating income (loss)	$ (6,156)	7,404	(183.1)%	(4.3)%	4.7 %
Depreciation by Segment					
Mattress Fabrics	$ 1,844(2)	1,886	(2.2)%		
Upholstery Fabrics	4,841(2)	4,997	(3.1)%		
Total Depreciation	$ 6,685	6,883	(2.9)%		

(1) The $1.2 million represents restructuring related charges for inventory markdowns and accelerated depreciation. The $2.4 million represents the $1.2 million restructuring related charges plus $1.2 million in restructuring charges for fixed asset write-downs and accrued termination benefits.

(2) Excludes accelerated depreciation of approximately $215,000 associated with plant and equipment scheduled to be disposed of over the next six months.

CULP, INC.
PROFORMA CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE THREE MONTHS ENDED OCTOBER 31, 2004 AND NOVEMBER 2, 2003
(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED												
	As Reported October 31, 2004	% of Sales	Adjust-ments	% of Sales	October 31, 2004 Proforma Net of Adjust-ments	% of Sales	As Reported November 2, 2003	% of Sales	Adjust-ments	% of Sales	November 2, 2003 Proforma Net of Adjust-ments	% of Sales	Proforma % Over (Under)
Net sales	$ 75,406	100.0%	0		75,406	100.0%	82,731	100.0%	0		82,731	100.0%	-8.9%
Cost of sales	65,839	87.3%	(1,124)	-1.5%(1)	64,715	85.8%	65,993	79.8%	0	0.0%	65,993	79.8%	-1.9%
Gross profit	9,567	12.7%	(1,124)	-1.5%	10,691	14.2%	16,738	20.2%	0	0.0%	16,738	20.2%	-36.1%
Selling, general and administrative expenses	8,838	11.7%	0	0.0%	8,838	11.7%	10,296	12.4%	0	0.0%	10,296	12.4%	-14.2%
Goodwill impairment	5,126	6.8%	(5,126)	0.0%(3)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Restructuring expense	1,292	1.7%	(1,292)	-1.7%(2)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Income (loss) from operations	(5,689)	-7.5%	(7,542)	-10.0%	1,853	2.5%	6,442	7.8%	0	0.0%	6,442	7.8%	-71.2%
Interest expense	937	1.2%	0	0.0%	937	1.2%	1,509	1.8%	0	0.0%	1,509	1.8%	-37.9%
Interest income	(29)	0.0%	0	0.0%	(29)	0.0%	(121)	-0.1%	0	0.0%	(121)	-0.1%	-76.0%
Other expense	173	0.2%	0	0.0%	173	0.2%	62	0.1%	0	0.0%	62	0.1%	179.0%
Income (loss) before income taxes	(6,770)	-9.0%	(7,542)	-10.0%	772	1.0%	4,992	6.0%	0	0.0%	4,992	6.0%	-84.5%
Income taxes	(2,577)	38.1%	(2,844)	37.7%(4)	267	34.6%	1,846	37.0%	0	0.0%	1,846	37.0%	-85.5%
Net income (loss)	$ (4,193)	-5.6%	(4,698)	-6.2%	505	0.7%	3,146	3.8%	0	0.0%	3,146	3.8%	-84.0%
Net income (loss) per share-basic	($0.36)		($0.41)		$0.04		$0.27		$0.00		$0.27		
Net income (loss) per share-diluted	($0.36)		($0.41)		$0.04		$0.27		$0.00		$0.27		
Average shares outstanding-basic	11,549		11,549		11,549		11,524		11,524		11,524		
Average shares outstanding-diluted	11,549		11,549		11,722		11,774		11,774		11,774		

Notes:
(1) The $1.1 million represents restructuring related charges for inventory markdowns and accelerated depreciation.
(2) The $1.3 million restructuring charge represents fixed asset write-downs and accrued termination benefits.
(3) The $5.1 million represents a goodwill impairment charge related to the Culp Decorative Fabrics division.
(4) The percent of net sales column for income taxes is calculated as a % of income (loss) before income taxes.

CULP, INC.
PROFORMA CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE SIX MONTHS ENDED OCTOBER 31, 2004 AND NOVEMBER 2, 2003
(Amounts in Thousands, Except for Per Share Data)

	SIX MONTHS ENDED												
	As Reported October 31, 2004	% of Sales	Adjust-ments	% of Sales	October 31, 2004 Proforma Net of Adjust-ments	% of Sales	As Reported November 2, 2003	% of Sales	Adjust-ments	% of Sales	November 2, 2003 Proforma Net of Adjust-ments	% of Sales	Proforma % Over (Under)
Net sales	$ 143,255	100.0%	0		143,255	100.0%	156,407	100.0%	0		156,407	100.0%	-8.4%
Cost of sales	125,013	87.3%	(1,199)	-0.8%(1)	123,814	86.4%	128,191	82.0%	0	0.0%	128,191	82.0%	-3.4%
Gross profit	18,242	12.7%	(1,199)	-0.8%	19,441	13.6%	28,216	18.0%	0	0.0%	28,216	18.0%	-31.1%
Selling, general and administrative expenses	18,118	12.6%	0	0.0%	18,118	12.6%	20,812	13.3%	0	0.0%	20,812	13.3%	-12.9%

Goodwill impairment	5,126	3.6%	(5,126)	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Restructuring expense	1,154	0.8%	(1,154)	-0.8%(2)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Income (loss) from operations	(6,156)	-4.3%	(7,479)	-5.2%	1,323	0.9%	7,404	4.7%	0	0.0%	7,404	4.7%	-82.1%
Interest expense	1,877	1.3%	0	0.0%	1,877	1.3%	3,006	1.9%	0	0.0%	3,006	1.9%	-37.6%
Interest income	(56)	0.0%	0	0.0%	(56)	0.0%	(243)	-0.2%	0	0.0%	(243)	-0.2%	-77.0%
Other expense	387	0.3%	0	0.0%	387	0.3%	301	0.2%	0	0.0%	301	0.2%	28.6%
Income (loss) before income taxes	(8,364)	-5.8%	(7,479)	-5.2%	(885)	-0.6%	4,340	2.8%	0	0.0%	4,340	2.8%	-120.4%
Income taxes	(3,119)	37.3%	(2,823)	37.7%(4)	(296)	33.5%	1,605	37.0%	0	0.0%	1,605	37.0%	-118.5%
Net income (loss)	$ (5,245)	-3.7%	(4,656)	-3.3%	(589)	-0.4%	2,735	1.7%	0	0.0%	2,735	1.7%	-121.5%
Net income (loss) per share-basic	($0.45)		($0.40)		($0.05)		$0.24		$0.00		$0.24		
Net income (loss) per share-diluted	($0.45)		($0.40)		($0.05)		$0.23		$0.00		$0.23		
Average shares outstanding-basic	11,548		11,548		11,548		11,519		11,519		11,524		
Average shares outstanding-diluted	11,548		11,548		11,548		11,718		11,718		11,774		

Notes:

(1) The $1.2 million represents restructuring related charges for inventory markdowns and accelerated depreciation.

(2) The $1.2 million restructuring charge represents fixed asset write-downs and accrued termination benefits.

(3) The $5.1 million represents a goodwill impairment charge related to the Culp Decorative Fabrics division.

(4) The percent of net sales column for income taxes is calculated as a % of income (loss) before income taxes.

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE
for the three and six months ended October 31 , 2004 and November 2, 2003

OVERVIEW

Highlights for the second quarter ended October 31, 2004, include:

- Announced strategic plan expected to realize over $14 million in annual savings
- Restructuring initiatives underway to consolidate domestic capacity
- Continued expansion of offshore manufacturing and sourcing capabilities, with sales of these upholstery fabrics up 143 percent over the same period last year
- Long-term debt-to-capital ratio of 34.1 percent compared with 43.7 percent a year ago

GENERAL -- The financial results for the second quarter reflect weak demand for upholstery fabrics and industry wide pricing pressure impacting the mattress fabrics segment. While the company anticipated the normal seasonal pick-up in demand that occurs in the fall, sales in the upholstery segment were approximately 13% lower than the same period last year. Overall, the retail furniture business has not demonstrated signs of a meaningful recovery from the summer slowdown. For the second quarter of fiscal 2005, consolidated net sales decreased 8.9% to $75.4 million; and the company reported a net loss of $4.2 million, or $0.36 per share diluted, compared with net income of $3.1 million, or $0.27 per diluted share, for the second quarter of fiscal 2004. The financial results for this quarter reflect a total of $2.4 million in restructuring and related charges, and $5.1 million in goodwill impairment. Excluding these charges, net income for the second quarter of fiscal 2005 was $505,000, or $0.04 per share (see reconciliation on page 7). For the first six months of fiscal 2005, net sales decreased 8.4% to $143.3 million; and the company reported a net loss of $5.2 million, or $0.45 per share diluted, compared with net income of $2.7 million or $0.23 per share diluted, for the same period last year. Excluding restructuring and related charges and goodwill impairment, net loss for the first six months of fiscal 2005 was $589,000, or $0.05 per share diluted (see reconciliation on page 8). Year-to-date for fiscal 2005 included 26 weeks versus 27 weeks for the same period of fiscal 2004.

RESTRUCTURING AND RELATED CHARGES -- The financial results for the second quarter include a total of $7.5 million in restructuring and related charges and goodwill impairment. The charges are made up of the following: (1) $5.1 million of goodwill impairment , which is the result of an evaluation of all of the remaining goodwill associated with the upholstery fabrics segment; (2) $1.3 million in restructuring expenses related to the Culp Decorative Fabrics ("CDF") and Culp Velvets/Prints ("CVP") divisions, which includes approximately $1.0 million in personnel costs and approximately $300,000 in write-downs of equipment; and (3) $1.1 million of restructuring related costs for the CDF division, which include inventory mark-downs and accelerated depreciation associated with plant and equipment scheduled to be disposed of, either by sale or by abandonment, over the next six months. As reflected in the financial statements, restructuring and related expenses were recorded as $1.3 million in the line item "restructuring expense" and $1.1 million in "cost of sales." The goodwill impairment charge and restructuring and related expenses have reduced net income per share by $0.41 for the second quarter of fiscal 2005. The goodwill impairment was accounted for in accordance with SFAS 142, "Goodwill and Other Intangible Assets." The write-down of equipment and accelerated depreciation was accounted for in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Personnel costs were accounted for in accordance with SFAS No. 112, "Accounting for Employers' Accounting for Postemployment Benefits."

Upholstery Fabrics Segment

The restructuring and related charges for the upholstery fabrics segment reflect the restructuring initiative announced in October 2004. The restructuring plan is designed to reduce costs, increase asset utilization and improve profitability within the upholstery fabrics segment. The company has made substantial progress over the past several years with previous restructuring initiatives. However, with continued pressure on demand in this segment, management has decided to move forward with plans to further adjust the company's cost structure and bring U.S. manufacturing capacity in line with current and expected demand. The restructuring plan principally involves consolidation of the company's decorative fabrics weaving operations by closing Culp's facility in Pageland, South Carolina, and consolidating those operations into the Graham, North Carolina facility. Additionally, the company will be consolidating its yarn operations by integrating the production of the Cherryville, North Carolina plant into the company's Shelby, North Carolina facility. Another important element of the restructuring plan will be a substantial reduction in certain raw material and finished goods stock keeping units, or SKUs, to reduce manufacturing complexities and lower costs, with the ongoing objective of identifying and eliminating products that are not generating acceptable volumes or margins. Finally, the company is making significant reductions in selling, general and administrative expenses. Overall, these restructuring actions will reduce the number of associates by approximately 250 people, representing approximately 14 percent of those in Culp's upholstery fabrics segment. The implementation of these restructuring initiatives has already begun and is expected to be completed by May 1, 2005, the end of the current fiscal year. The company expects the restructuring actions to result in total pre-tax charges of approximately $20 million ($13 million on an after-tax basis). Approximately $15 million of the pre-tax amount is expected to be non-cash items, including $5.1 million for goodwill impairment. As described above, of the total charges expected, $7.5 million ($4.7 million, net of taxes, or $0.41 per diluted share) was incurred in the second fiscal quarter. The remaining charges are expected to be recorded in the third and fourth quarters of fiscal 2005, as incurred.

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As a result of these plant consolidations and other cost-reduction initiatives, the company expects to realize annual savings of approximately $9.5 million, of which approximately $4.0 million will be in fixed manufacturing costs, an estimated $2.0 million in variable manufacturing costs, and approximately $3.5 million in selling, general and administrative costs. Once these initiatives are completed, the company will have seven manufacturing facilities operating in the upholstery fabrics segment, including one facility in China. Management believes this configuration will allow the company to utilize its domestic operations more efficiently, especially for promotional, commercial fabric and make-to-order businesses. At the same time, the company intends to continue aggressively pursuing its strategy to source upholstery fabrics that are not manufactured in the U.S. As described in more detail below, sales of upholstery fabrics produced outside of the company's U.S. manufacturing plants are accounting for an increasing percentage of the company's overall upholstery fabric sales. Management believes that blending efficient domestic manufacturing with an aggressive offshore manufacturing and sourcing strategy allows the company to offer a compelling value proposition and better meet customer demands.

Mattress Fabrics Segment

In order to reduce manufacturing costs, the company will be consolidating its mattress fabric manufacturing into two plants located in Quebec, Canada, and Stokesdale, North Carolina. This project will involve relocation of ticking looms from an upholstery fabric plant and the purchase of new looms that are faster and more efficient than the equipment they will replace. The capital expenditure amount budgeted for this project is approximately $7.0 million over the current and next fiscal year. This project will begin in November 2004 and is expected to be completed by August 2005. The company anticipates approximately $4.5 million in annualized savings to be achieved as a result of this capital project.

STATEMENT OF OPERATIONS COMMENTS
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MATTRESS FABRICS SEGMENT (See page 5 - Sales, Gross Profit and Operating Income (Loss) by Segment)

Net Sales -- Mattress fabric (known as mattress ticking) sales of $26.9 million for the second quarter of fiscal 2005 were up slightly from the same period a year ago. Mattress ticking yards sold during the second quarter of fiscal 2005 were 11.3 million compared with 10.9 million yards in the second quarter of last year, an increase of 3.7%. This increase in yards sold is noteworthy because it occurred as the bedding industry nears the completion of the transition to selling predominantly one-sided mattresses, which utilize about one-third less mattress ticking. The average selling price was $2.35 per yard for the second quarter, compared to $2.43 per yard in the same quarter last year, a decrease of 3.3%.

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Operating income -- For the second quarter of fiscal 2005, the mattress fabrics segment reported operating income of $2.7 million, or 10.0% of sales, compared with $4.2 million, or 15.9% of sales, for the prior year period. Operating income was primarily impacted by industry wide pricing pressure and inventory markdowns related to certain customer programs. Additionally, operating income was negatively impacted by increased raw material costs due primarily to the increased cost of petroleum based products. Also, mattress manufacturers are currently incurring higher costs for other mattress components, such as steel, as well as costs associated with flame retardant requirements. As a result of these increased costs, mattress manufacturers are placing additional pressure on mattress ticking prices, and in some instances manufacturers are moving to lower priced ticking.

UPHOLSTERY FABRICS SEGMENT (See page 5-Sales, Gross Profit and Operating Income (Loss) by Segment)

Net Sales -- Upholstery fabric sales for the second quarter of fiscal 2005 decreased 13.3% to $48.5 million when compared to the second quarter of fiscal 2004. The lower sales primarily reflect soft demand by furniture retailers, as well as current consumer preference for leather furniture and increased competition from imported fabrics, including cut and sewn kits, primarily from Asia.

With the company's offshore sourcing efforts, including the China platform, the company is experiencing higher sales of upholstery fabric products produced outside of the company's U.S. manufacturing plants. These sales increased 143% over the prior year period and accounted for approximately $7.0 million or 14.4% of upholstery fabric sales for the quarter. Offshore sourced fabrics of $2.9 million accounted for approximately 5.1% of upholstery fabric sales for the same period last year.

Upholstery fabric yards sold during the second quarter were 10.7 million versus 13.1million in the second quarter of fiscal 2004, a decline of 18.3%. Average selling price was $4.23 per yard for the second quarter compared with $4.13 per yard in the same quarter of last year, an increase of 2.4 %, due to higher average selling prices in both the CDF and CVP divisions.

Operating income (loss) -- Operating income for the second quarter of fiscal 2005 was $216,000, or .4% of sales, compared with operating income of $3.5 million, or 6.2% of sales, for the same period last year. The significant decrease in segment income as compared to last year was primarily due to further underutilization of the company's U.S. manufacturing capacity. Additionally, the upholstery fabrics segment has been experiencing higher raw material costs due mainly to the increase in cost of petroleum based products.

SG&A EXPENSES -- SG&A expenses of $8.8 million for the second quarter of fiscal 2005 decreased approximately $1.5 million, or 14.2%, from the prior year amount. As a percent of net sales, SG&A expenses decreased to 11.7% from 12.4% the previous year, due mostly to lower incentive compensation expense and lower professional fees.

Unallocated Corporate Expenses - The unallocated corporate expense category includes certain items that have not been allocated to the company's segments (see Page 5 - Sales and Gross Profit/Operating Income (Loss) by Segment). The major components of unallocated corporate expenses include compensation and benefits for certain executive officers and all costs related to being a public company. For the second quarter of fiscal 2005, unallocated corporate expenses totaled $1.0 million compared with $1.3 million for the same period last year, reflecting a decrease in incentive compensation expense and professional fees.

INTEREST EXPENSE AND INTEREST INCOME -- Interest expense for the second quarter declined to $937,000 from $1.5 million the previous year due to lower borrowings outstanding. Interest income decreased to $29,000 from $121,000 the previous year due to lower invested balances in fiscal 2005.

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INCOME TAXES - The effective tax rate (taxes as a percentage of pretax income (loss)) for the first six months of fiscal 2005 was 37.3% compared with 37.0% for the first six months of fiscal 2004. Excluding restructuring and related charges and goodwill impairment, the effective tax rate for the first half of fiscal 2005 was 33.5%

BALANCE SHEET COMMENTS
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CASH AND CASH EQUIVALENTS -- Cash and cash equivalents as of October 31, 2004 increased to $16.5 million from $14.6 million at the end of fiscal 2004, primarily reflecting cash flow from operations of $8.6 million and capital expenditures and payments on vendor financed capital expenditures of $6.9 million.

WORKING CAPITAL -- Accounts receivable as of October 31, 2004 decreased 15.2% from the year-earlier level. Days sales outstanding totaled 32 days at October 31, 2004 compared with 34 days a year ago. Inventories at the close of the second quarter decreased 9.9% from a year ago. Inventory turns for the second quarter were 5.2 versus 5.1 for the year-earlier period. Operating working capital (comprised of accounts receivable and inventories, less trade accounts payable) was $59.9 million at October 31, 2004, down from $ 61.3 million a year ago.

PROPERTY, PLANT AND EQUIPMENT -- Capital spending for the first six months of fiscal 2005 was $5.5 million, including approximately $4.3 million for the purchase of a building that will serve as the company's new corporate offices and as new space for the company's showrooms. The company expects the annual operating costs of the new building to be significantly lower than the lease and related costs associated with the current facilities. Depreciation for the second quarter was $3.5 million, of which approximately $215,000 was related to accelerated depreciation associated with plant and equipment scheduled to be disposed of over the next six months. As part of the fiscal 2005 restructuring plan, the company increased the capital budget by $6.1 million to approximately $15.6 million, of which $4.9 million relates to the mattress ticking plant consolidation.

INTANGIBLE ASSETS -- As of October 31, 2004, $4.1 million in goodwill, which relates to the mattress fabrics segment, is the company's only intangible asset. In the second quarter of fiscal 2005, the company's $5.1 million in remaining goodwill associated with the upholstery fabrics segment was written off based on an evaluation of this segment in accordance with SFAS 142, "Goodwill and Other Intangible Assets."

LONG-TERM DEBT -- The company's long-term debt of $51.2 million is unsecured and is comprised of $50.0 million in outstanding senior notes, with a fixed interest rate of 7.76%, and a $1.2 million, non-interest bearing term loan with the Canadian government. Additionally, the company has a $15.0 million revolving credit line with a bank, of which no balance is outstanding at October 31, 2004. The current bank agreement, which was due to expire in August 2004, has been extended to August 2005. The first scheduled principal payment on the $50.0 million senior notes is due March 2006 in the amount of $7.5 million. The Canadian government loan is repaid in annual installments of approximately $500,000 per year. The company was in compliance with all financial covenants in its loan agreements as of October 31, 2004.

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CASH FLOW FROM OPERATIONS COMMENTS

Cash flow from operations was $8.6 million for the first six months of fiscal 2005, compared with $11.5 million for the same period last year. This decrease was due primarily to lower profitability.

BUSINESS OUTLOOK

The third quarter is typically a slower period for the company's overall business as a result of traditional holiday plant shutdowns. For the current quarter, the company expects mattress ticking sales to approximate the third quarter sales from last year and expects the operating income margin in this segment to approximate the margin of 10.0 percent reported for the second quarter of this year. With respect to the upholstery fabrics segment, the outlook still remains uncertain for a recovery in demand for domestically produced upholstery fabrics. For the third quarter, upholstery fabrics segment sales are expected to decrease slightly more than the second quarter decline of 13.3 percent. The company expects this sales decline, combined with the raw material price increases the company is currently experiencing, will result in an operating loss for this segment. During the third fiscal quarter, the company estimates that previously announced restructuring and related charges of approximately $7.0 million ($4.4 million, net of taxes, or $0.38 per diluted share) will be incurred. Including these charges, the company expects to report a net loss in the range of $0.44 to $0.48 per share diluted. Excluding the restructuring and related charges, the company expects to report a net loss for the third fiscal quarter of $0.06 to $0.10 per diluted share, with the actual results depending primarily on the level of demand throughout the quarter.