

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) June 13, 2017

**Culp, Inc.**

(Exact Name of Registrant as Specified in its Charter)

North Carolina

(State or Other Jurisdiction  
of Incorporation)

1-12597

(Commission File Number)

56-1001967

(I.R.S. Employer  
Identification No.)

1823 Eastchester Drive  
High Point, North Carolina 27265

(Address of Principal Executive Offices)  
(Zip Code)

(336) 889-5161

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former name or address, if changed from last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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This report and the exhibits attached hereto contain “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward looking statements are intended to speak only as of the date on which they are made, and we disclaim any duty to update such statements. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “estimate,” “plan” and “project” and their derivatives, and include but are not limited to statements about expectations for our future operations, production levels, sales, profit margins, profitability, operating income, capital expenditures, working capital levels, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, and other performance measures, as well as any statements regarding future economic or industry trends or future developments. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on our business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect us adversely. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in the value of the U.S. dollar versus other currencies could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on our sales of products produced in those places. Also, economic and political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A “Risk Factors” in our Form 10-K filed with the Securities and Exchange Commission on July 15, 2016 for the fiscal year ended May 1, 2016.

## **Item 2.02 – Results of Operations and Financial Condition**

The information set forth in this Item 2.02 of this Current Report, and in Exhibits 99(a) and 99(b), is intended to be “furnished” under Item 2.02 of Form 8-K. Such information shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

On June 13, 2017, we issued a news release to announce our financial results for our fourth quarter and year ended April 30, 2017. The news release is attached hereto as Exhibit 99(a).

Also on June 13, 2017, we released a Financial Information Release containing additional financial information and disclosures about our fourth quarter and year ended April 30, 2017. The Financial Information Release is attached hereto as Exhibit 99(b).

The news release and Financial Information Release contain disclosures about free cash flow, a non-GAAP liquidity measure that we define as net cash provided by operating activities, less cash capital expenditures, less investment in unconsolidated joint venture, plus any proceeds from sales of equipment, plus any proceeds from life insurance policies, less payment on life insurance policy, less payments on vendor-financed capital expenditures, less the purchase of long-term investments associated with our Rabbi Trust, plus excess tax benefits related to stock-based compensation, and plus or minus the effects of exchange rate changes on cash and cash equivalents. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the Financial Information Release. Management believes the disclosure of free cash flow provides useful information to investors because it measures our available cash flow for potential debt repayment, stock repurchases, dividends, and additions to cash and cash equivalents. We note, however, that not all of the company’s free cash flow is available for discretionary spending, as we may have mandatory debt payments and other cash requirements that must be deducted from our cash available for future use. In operating our business, management uses free cash flow to make decisions about what commitments of cash to make for operations, such as capital expenditures (and financing arrangements for these expenditures), purchases of inventory or supplies, SG&A expenditure levels, compensation, and other commitments of cash, while still allowing for adequate cash to meet known future commitments for cash, such as debt repayment, and also for making decisions about dividend payments and share repurchases.

The news release and Financial Information Release contain disclosures about return on capital, both for the entire company and for individual business segments. We define return on capital as operating income (on an annualized basis if at a point other than the end of the fiscal year) divided by average capital employed. Operating income excludes certain non-recurring charges, and average capital employed is calculated over rolling two – five fiscal periods, depending on which quarter is being presented. Details of these calculations and a reconciliation to information from our GAAP financial statements are set forth in the Financial Information Release. We believe return on capital is an accepted measure of earnings efficiency in relation to capital employed, but it is a non-GAAP performance measure that is not defined or calculated in the same manner by all companies. This measure should not be considered in isolation or as an alternative to net income or other performance measures, but we believe it provides useful information to investors by comparing the operating income we produce to the asset base used to generate that income. Also, annualized operating income does not necessarily indicate results that would be expected for the full fiscal year. We note that, particularly for return on capital measured at the segment level, not all assets and expenses are allocated to our operating segments, and there are assets and expenses at the corporate (unallocated) level that may provide support to a segment’s operations and yet are not included in the assets and expenses used to calculate that segment’s return on capital. Thus, the average return on capital for the company’s segments will generally be different from the company’s overall return on capital. Management uses return on capital to evaluate the company’s earnings efficiency and the relative performance of its segments.

The news release and Financial Information Release contain disclosures about our consolidated adjusted effective income tax rate, which is a non-GAAP liquidity measure that represents our estimated cash expenditures for income taxes. The consolidated adjusted effective income tax rate is calculated by eliminating the non-cash items that affect our GAAP income tax expense, including reductions in income taxes due to the utilization of our U.S. net operating loss (NOL) carryforwards, reversal of any uncertain income tax positions, and other non-cash foreign income tax expenses. Currently we do not pay income taxes in the U.S. due to NOL carryforward amounts, and thus the consolidated adjusted effective income tax rate represents income tax expense for our subsidiaries located in China and Canada. A reconciliation of our consolidated adjusted effective income tax rate to our consolidated effective GAAP income tax rate is set forth in the Financial Information Release. We believe this information is useful to investors because it demonstrates the amount of cash, as a percentage of income before income taxes, expected to be required to fund our income tax liabilities incurred for the periods reported. Our consolidated income tax expense on a GAAP basis can vary widely over different reporting periods due to the effects of non-cash items, and we believe the calculation of our consolidated adjusted effective tax rate is helpful in comparing financial reporting periods and the amount of income tax liability that we are or will be required to pay to taxing authorities in cash. We note that non-cash reductions in our U.S. NOL carryforwards are based on pre-tax losses in prior periods and will not be available to reduce taxes on current earnings once the NOL carryforward amounts are utilized. Management uses the consolidated adjusted effective income rate to analyze the effect that income tax expenditures are likely to have on cash balances and overall liquidity.

The news release and Financial Information Release contains disclosures about our Adjusted EBITDA, which is a non-GAAP performance measure that reflects net income excluding tax expenses and net interest expense, as well as depreciation and amortization expense and stock based compensation expense. Details of these calculations and a reconciliation to information from our GAAP financial statements is set forth in the Financial Information Release. We believe presentation of Adjusted EBITDA is useful to investors because earnings before interest, income taxes, depreciation and amortization, and similar performance measures that exclude certain charges from earnings, are often used by investors and financial analysts in evaluating and comparing companies in our industry. We note, however, that such measures are not defined uniformly by various companies, with differing expenses being excluded from net income to calculate these performance measures. For this reason, Adjusted EBITDA should not be viewed in isolation by investors and should not be used as a substitute for net income calculated in accordance with GAAP, nor should it be used for direct comparisons with similarly titled performance measures reported by other companies. Use of Adjusted EBITDA as an analytical tool has limitations in that this measure does not reflect all expenses that are necessary to fund and operate our business, including funds required to pay taxes, service our debt, and fund capital expenditures, among others. Management uses Adjusted EBITDA to help it analyze the company’s earnings and operating performance, by excluding the effects of expenses that depend upon capital structure and debt level, tax provisions (which can be volatile for our company as described above), and non-cash items such as depreciation, amortization and stock based compensation expense that do not require immediate uses of cash.

**Item 9.01 (d) -- Exhibits**

99(a) News Release dated June 13, 2017

99(b) Financial Information Release dated June 13, 2017

## SIGNATURES

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

CULP, INC.  
(Registrant)

By: /s/ Kenneth R. Bowling  
Chief Financial Officer  
(principal financial officer)

By: /s/ Thomas B. Gallagher, Jr.  
Corporate Controller  
(principal accounting officer)

Dated: June 13, 2017

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit</u>
99(a)	News Release dated June 13, 2017
99(b)	Financial Information Release dated June 13, 2017



Investor Contact: Kenneth R. Bowling  
Chief Financial Officer  
336-881-5630

Media Contact: Teresa A. Huffman  
Vice President, Human Resources  
336-889-5161

## **CULP ANNOUNCES RESULTS FOR FOURTH QUARTER AND FISCAL 2017**

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### ***Company Announces Special Cash Dividend of \$0.21 Per Share***

HIGH POINT, N.C. (June 13, 2017) — Culp, Inc. (NYSE: CFI) today reported financial and operating results for the fourth quarter and fiscal year ended April 30, 2017.

#### **Fiscal 2017 Full Year Highlights**

- § Net sales were \$309.5 million, down 1.1 percent compared with the prior year, with mattress fabric sales up 2.4 percent, a record year, and upholstery fabric sales down 6.1 percent over the prior year.
- § Pre-tax income was \$29.7 million, the highest annual pre-tax income in Culp's history, and a 6.4 percent increase compared with the previous record of \$27.9 million in pre-tax income for fiscal 2016.
- § Net income was \$22.3 million, or \$1.78 per diluted share, compared with net income of \$16.9 million, or \$1.36 per diluted share, in fiscal 2016.
- § Return on capital was 32 percent, equal to last year's record performance.
- § Cash flow from operations was \$33.0 million, up from \$26.8 million in fiscal 2016. Free cash flow for the year was strong at \$18.3 million, up 20 percent compared with \$15.2 million last year, after spending \$14.0 million in capital expenditures, including vendor-financed payments and investment in Haiti.
- § Cash and cash equivalents, short-term investments and long-term investments held-to-maturity totaled \$54.2 million, up 29 percent and a record level, compared with \$42.1 million at the end of the previous fiscal year, with no debt outstanding.
- § Capital expenditures, including vendor-financed payments and investment in Haiti, totaled \$14.0 million, compared with \$11.5 million a year ago.
- § For fiscal 2017, the company paid \$6.3 million in dividends, of which \$2.6 million was for a special dividend.

#### **Fiscal 2017 Fourth Quarter Highlights**

- § Net sales were \$77.4 million, with both mattress fabric sales and upholstery fabric sales relatively flat compared with the fourth quarter last year.
- § Pre-tax income was \$7.0 million, which included approximately \$250,000 of plant consolidation expenses, down 2.3 percent compared with \$7.2 million in the fourth quarter of fiscal 2016.
- § The GAAP effective income tax rate was 11.1 percent; the consolidated adjusted effective income tax rate was 17.5 percent
- § Net income was \$6.2 million, or \$0.49 per diluted share, compared with net income of \$3.6 million, or \$0.29 per diluted share, in the prior year period.
- § The company announced a special cash dividend of \$0.21 per share, equal to last year's payment and the fifth special dividend in the past six fiscal years, and a quarterly cash dividend of \$0.08 per share, both payable in July 2017.

#### **Financial Outlook for First Quarter Fiscal 2018**

- § The projection for first quarter fiscal 2018 is for overall sales to be comparable to the previous year's first quarter. Pre-tax income for the first quarter of fiscal 2018 is expected to be in the range of \$7.8 million to \$8.4 million. Included in this range is approximately \$300,000 of expected plant consolidation expenses. Pre-tax income for the first quarter of fiscal 2017 was \$8.5 million. The company expects fiscal 2018 to be another solid year for free cash flow.

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## Overview

For the fourth quarter ended April 30, 2017, net sales were \$77.4 million, compared with \$77.3 million a year ago. On a pre-tax basis, the company reported income of \$7.0 million, which included approximately \$250,000 of plant consolidation expenses, compared with pre-tax income of \$7.2 million for the fourth quarter of fiscal 2016. The company reported net income of \$6.2 million, or \$0.49 per diluted share, for the fourth quarter of fiscal 2017, compared with net income of \$3.6 million, or \$0.29 per diluted share, for the fourth quarter of fiscal 2016. The effective GAAP income tax rate was 11.1 percent for the fourth quarter of fiscal 2017, compared with 49.8 percent for the fourth quarter of last year. The 11.1 percent effective income tax rate was primarily affected by a reversal of an uncertain income tax position in a foreign jurisdiction. The consolidated adjusted effective income tax rate was 17.5 percent for the fourth quarter of fiscal 2017, compared with 18.6 percent for the prior year. (A reconciliation of consolidated adjusted effective income tax rate to consolidated GAAP effective income tax rate is presented on page 7.)

Net sales for fiscal 2017 were \$309.5 million, compared with net sales of \$312.9 million in fiscal 2016. On a pre-tax basis, the company reported income of \$29.7 million for fiscal 2017, compared with pre-tax income of \$27.9 million in fiscal 2016. Net income for fiscal 2017 was \$22.3 million, or \$1.78 per diluted share, compared with \$16.9 million, or \$1.36 per diluted share, in fiscal 2016.

Commenting on the results, Frank Saxon, president and chief executive officer of Culp, Inc., said, "Our results for the fourth quarter were in line with expectations, capping off an outstanding performance for Culp in fiscal 2017 in spite of a more challenging retail environment for home furnishings. While our overall annual sales were slightly lower than the prior year, our mattress fabric segment had another record performance with total annual sales surpassing the previous year's level. Notably, our pre-tax income for the year was the highest in the company's history. Further, we achieved excellent cash flow from operations and free cash flow and continued high returns on capital for the year. Finally, we ended the year with no debt and \$54.2 million in total cash and investments, which is the highest level achieved in the company's history.

"Throughout fiscal 2017, we demonstrated consistent execution of our product-driven strategy in both businesses, as a result of our relentless focus on design creativity and product innovation. Our ability to offer a diverse product mix and meet the changing demands of our customers has served us well in the marketplace. At the same time, we have continued to make substantial investments in our mattress fabric business to enhance our production capabilities, improve our operating efficiencies and continue to provide exceptional customer service. Our newest product introductions and ability to reach different market segments have produced favorable results for the upholstery fabric business, and we look forward to the opportunities ahead to build on this momentum.

"We are pleased to announce today that our Board of Directors approved a special cash dividend of \$0.21 per share, which is equal to last year's payment and in line with our capital allocation strategy, as well as approved our regular quarterly cash dividend of \$0.08 per share. This marks the fifth special dividend payment in the past six years for Culp. We are proud of our dividend history, reflecting our commitment to delivering value to our shareholders. At the same time, we have the financial strength and cash flow generation to support our strategy and take advantage of additional growth opportunities, including a more active look at potential strategic acquisitions in each of our businesses. Having sufficient capital ready to deploy is an important part of our capital allocation strategy and a vital element in meeting our growth objectives," added Saxon.

## Mattress Fabric Segment

Sales for this segment were \$48.8 million for the fourth quarter, down 0.1 percent, compared with sales of \$48.9 million in the fourth quarter of fiscal 2016. For fiscal 2017, mattress fabric sales were \$190.8 million, up 2.4 percent, compared with \$186.4 million in fiscal 2016.

"Our results for the fourth quarter were in line with expectations, reflecting consistent execution of our strategy during a period of disruption in the mattress industry and a soft retail sales environment," said Iv Culp, president of Culp's mattress fabric division. "Overall, we were pleased to meet our objectives for the quarter.

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“Notably, we delivered another record performance in fiscal 2017, topping the previous year’s results with the highest annual mattress fabric sales and profits in Culp’s history. Our focus on design and innovation continues to distinguish our products in the marketplace. Having a favorable product mix of mattress fabrics and sewn covers across most price points and style trends has allowed us to execute our diversification strategy and enhance our strong value proposition.

“We are especially pleased to achieve these outstanding results during a period of major transition across our production facilities. Throughout the past year, we have made substantial investments and significant changes within our multi-country production facilities that will enable us to build upon our success and improve our service to customers. Our expansion projects in North Carolina, including a new distribution center and knitted fabric plant consolidation, were substantially complete as of the fourth quarter of fiscal 2017. We expect to have all of the equipment relocated and new installations finalized during the first quarter of fiscal 2018. As a result, we will have expanded our capacity and created a more efficient production platform to support our continuous improvement initiatives and long-term growth strategy. Additionally, we completed the expansion at our Canadian operation, with additional finishing equipment and a new distribution center that will allow us to ship directly to our customers in Canada. Together, these major investments will significantly enhance our ability to serve all of our customers and strengthen Culp’s leadership position in North America.

“Our results for the year include a growing contribution from CLASS, our mattress cover business. Importantly, CLASS has allowed us to develop new products with our core customers and to reach new customers and additional market segments, especially the Internet ‘bed in a box’ space, with solid growth prospects. Along with our other consolidation projects in North Carolina, we plan to move our CLASS production platform during July 2017 to a new location that offers more efficient and streamlined production flow and access to a larger labor pool. Additionally, this facility will include expanded showroom and product development space to further support our ability to capture new market opportunities and respond to changing demand trends with more robust product development activity. Our previously announced joint venture mattress cover production facility in Haiti is under construction and is expected to commence operations in September or October 2017. This new operation will complement our U.S. production capabilities with additional capacity via a mirrored platform, thus improving our ability to meet customer demand while remaining cost-competitive.

“Looking ahead, we are well positioned to execute our strategy in spite of the current uncertainty in the mattress industry. We have a solid market position throughout the industry with strong customer relationships in all product categories. More importantly, we have worked hard to create a sustainable production and distribution platform that will favorably position Culp for the long-term. While short-term demand trends remain uncertain, we are confident in our ability to deliver another solid performance in fiscal 2018,” said Culp.

#### **Upholstery Fabric Segment**

Sales for this segment were \$28.5 million for the fourth quarter, up 0.6 percent compared with sales of \$28.4 million in the fourth quarter of fiscal 2016. For fiscal 2017, upholstery fabric sales were \$118.7 million, down 6.1 percent compared with \$126.4 million in fiscal 2016.

“Our results for the fourth quarter of fiscal 2017 were in line with expectations,” noted Boyd Chumbley, president of Culp’s upholstery fabrics division. “In spite of relatively flat sales growth, we were pleased with our overall operating performance and higher profitability compared with the fourth quarter of fiscal 2016.

“For fiscal 2017, while the modest decline in annual sales reflects the soft retail environment for residential furniture that has persisted for most of the past fiscal year, we were able to grow margins and report comparable profitability to last year. In spite of the market challenges, we continued to execute our product-driven strategy with a sustained focus on innovation and creative designs, offering a more diverse product mix and expanding our sales into new markets. Over the past year, we made progress in each of these key areas of focus. Our design team has done an outstanding job in keeping pace with current style trends and meeting the changing demands of our customers. Notably, our ‘performance line’ of highly durable, stain-resistant upholstery fabrics was a strong performer for Culp in fiscal 2017. We are encouraged by the momentum we are seeing in this product category, and we look forward to the additional sales opportunities this provides for Culp.

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“While we faced a generally weaker sales environment in the residential furniture market, we achieved meaningful sales growth in the hospitality area, which accounted for a higher percentage of our overall sales in fiscal 2017 compared with the prior year. This trend is encouraging, as we continue our focus on diversifying our sales mix.

“Our global production capabilities provide a strong competitive advantage for Culp, and we have continued to leverage our flexible and scalable China platform to support our product-driven strategy. Sales of China produced fabrics accounted for 92 percent of upholstery fabric sales in fiscal 2017, and our operating performance for the year reflects an increasingly diverse product mix of fabric styles and price points as well as a more favorable currency exchange rate in China.

“Looking ahead, in spite of uncertain retail market conditions, we have many reasons to be optimistic about the opportunities for our upholstery fabric business. Our recent showing at the April furniture market was encouraging with strong placements for Culp, especially with our ‘performance line’ of fabrics, providing confidence in our sales prospects for fiscal 2018. We will continue to pursue our same product-driven strategy and identify new market opportunities, including exploring potential acquisitions in the hospitality market that will complement our upholstery fabric business, which is principally in the residential market. As the overall economy, housing market and consumer confidence improves, we believe Culp is well positioned to benefit from a return to more robust spending for home furnishings,” said Chumbley.

## **Balance Sheet**

“We are pleased to end fiscal 2017 with a strong financial position,” added Ken Bowling, senior vice president and chief financial officer of Culp, Inc. “As of April 30, 2017, we reported \$54.2 million in cash and cash equivalents, short-term investments and long-term investments held-to-maturity, a record level for Culp and up 29 percent from the previous year’s ending balance of \$42.1 million, with no debt. This year over year increase in cash was achieved despite spending \$14.0 million for capital expenditures, including vendor-financed payments and investment in Haiti, and returning \$6.3 million to shareholders in regular and special dividends. Cash flow from operations for fiscal 2017 was \$33.0 million, compared with \$26.8 million in fiscal 2016. Free cash flow for the year was \$18.3 million, compared with last year’s \$15.2 million, representing a 20 percent year over year increase. (See reconciliation of free cash flow on page 8).

“As we look to fiscal 2018, we expect another solid year of free cash flow, with capital expenditures expected to be comparable to fiscal 2017 and modest projected growth in working capital. We are well positioned to make the capital investments and any potential acquisitions that may develop to support our growth strategy, as well as continue to return funds to our shareholders,” added Bowling.

## **Dividends and Share Repurchases**

Consistent with its capital allocation strategy to return funds to shareholders through dividends and share repurchases, the company announced that its Board of Directors has approved the payment of a special cash dividend of \$0.21 per share. In addition, the Board approved the payment of the company’s quarterly cash dividend of \$0.08 per share. Both of these payments will be made on July 17, 2017, to shareholders of record as of July 3, 2017.

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

Since June 2011, and including the special and regular dividends to be paid in July, the company will have returned approximately \$50.0 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

## **Financial Outlook for First Quarter Fiscal 2018**

Commenting on the outlook for the first quarter of fiscal 2018, Saxon remarked, “At this time, we expect overall sales to be comparable to the first quarter of fiscal 2017.

“With ongoing uncertainty in the mattress industry, we expect first quarter sales in our mattress fabric business to be slightly lower than the first quarter of fiscal 2017, which was an exceptionally strong first quarter performance. Operating income and margins in this segment, including approximately \$300,000 in plant consolidation expenses, are expected to be moderately lower than the record quarterly performance for the same period a year ago. Overall, we expect to see improvement in our quarterly operating results as we move forward in fiscal 2018.

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“In our upholstery fabrics business, we expect first quarter sales to be slightly higher compared with the first quarter of fiscal 2017. We believe the upholstery fabrics segment’s operating income and margins will be slightly higher compared with the same quarter of last year.

“Considering these factors, the company expects to report pre-tax income for the first fiscal quarter of 2018 in the range of \$7.8 million to \$8.4 million, including approximately \$300,000 in plant consolidation expenses. Pre-tax income for last year’s first quarter was \$8.5 million.

“Based on our current budget, capital expenditures for fiscal 2018 are expected to be comparable to the previous year. Additionally, the company expects another solid year of free cash flow, even after another year of high capital expenditures and modest growth in working capital.”

In closing, Saxon remarked, “We are pleased with Culp’s performance in fiscal 2017 and our ability to execute our strategy in an uncertain market environment. Our success reflects our capacity to leverage our outstanding design capabilities and deliver a diverse range of innovative fabrics that keep pace with customer demand and style trends. At the same time, we are identifying new market opportunities and positioning Culp for growth in those markets. Importantly, we have followed a disciplined capital allocation strategy, allowing us to make substantial capital investments to support our continued growth and return significant funds to shareholders. While short-term demand trends for home furnishings are difficult to predict, we believe Culp is well positioned in the marketplace, and we look forward to the opportunities before us in fiscal 2018.”

## About the Company

Culp, Inc. is one of the world's largest marketers of mattress fabrics for bedding and upholstery fabrics for residential and commercial furniture. The company markets a variety of fabrics to its global customer base of leading bedding and furniture companies, including fabrics produced at Culp’s manufacturing facilities and fabrics sourced through other suppliers. Culp has operations located in the United States, Canada and China.

*This press release contains “forward-looking statements” within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 27A of the Securities and Exchange Act of 1934). Such statements are inherently subject to risks and uncertainties. Further, forward looking statements are intended to speak only as of the date on which they are made, and we disclaim any duty to update such statements. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often but not always characterized by qualifying words such as “expect,” “believe,” “estimate,” “plan” and “project” and their derivatives, and include but are not limited to statements about expectations for our future operations, production levels, sales, profit margins, profitability, operating income, capital expenditures, working capital levels, income taxes, SG&A or other expenses, pre-tax income, earnings, cash flow, and other performance measures, as well as any statements regarding future economic or industry trends or future developments. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on our business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect us adversely. Changes in consumer tastes or preferences toward products not produced by us could erode demand for our products. Changes in the value of the U.S. dollar versus other currencies could affect our financial results because a significant portion of our operations are located outside the United States. Strengthening of the U.S. dollar against other currencies could make our products less competitive on the basis of price in markets outside the United States, and strengthening of currencies in Canada and China can have a negative impact on our sales of products produced in those places. Also, economic and political instability in international areas could affect our operations or sources of goods in those areas, as well as demand for our products in international markets. Further information about these factors, as well as other factors that could affect our future operations or financial results and the matters discussed in forward-looking statements, is included in Item 1A “Risk Factors” in our Form 10-K filed with the Securities and Exchange Commission on July 15, 2016, for the fiscal year ended May 1, 2016.*

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**CULP, INC.**  
**Condensed Financial Highlights**  
(Unaudited)

	<b>Three Months Ended</b>		<b>Fiscal Year Ended</b>	
	<b>April 30, 2017</b>	<b>May 1, 2016</b>	<b>April 30, 2017</b>	<b>May 1, 2016</b>
Net sales	\$ 77,350,000	\$ 77,253,000	\$ 309,544,000	\$ 312,860,000
Income before income taxes	\$ 6,999,000	\$ 7,167,000	\$ 29,696,000	\$ 27,898,000
Net income	\$ 6,198,000	\$ 3,601,000	\$ 22,334,000	\$ 16,935,000
Net income per share:				
Basic	\$ 0.50	\$ 0.29	\$ 1.81	\$ 1.38
Diluted	\$ 0.49	\$ 0.29	\$ 1.78	\$ 1.36
Average shares outstanding:				
Basic	12,340,000	12,257,000	12,312,000	12,302,000
Diluted	12,567,000	12,434,000	12,518,000	12,475,000

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**Consolidated Adjusted Effective Income Tax Rate**  
**For the Twelve Months Ended April 30, 2017, and May 1, 2016**  
(Unaudited)  
*(Amounts in Thousands)*

		<b>TWELVE MONTHS ENDED</b>	
		Amounts	
		<b>April 30, 2017</b>	May 1, 2016
Consolidated Effective GAAP Income Tax Rate	(1)	24.7%	39.3%
Non-Cash U.S. Income Tax Expense		<b>(18.2)%</b>	(20.3)%
Reversal of Foreign Uncertain Income Tax Position		<b>11.6%</b>	0.0%
Other Non-Cash Foreign Income Tax Expense		<b>(0.6)%</b>	(0.4)%
Consolidated Adjusted Effective Income Tax Rate	(2)	<b>17.5%</b>	18.6%

(1) Calculated by dividing consolidated income tax expense by consolidated income before income taxes.

(2) Represents estimated cash income tax expense for our subsidiaries located in Canada and China divided by consolidated income before income taxes.

-MORE-

**Reconciliation of Free Cash Flow**  
**For the Twelve Months Ended April 30, 2017, and May 1, 2016**  
(Unaudited)  
*(Amounts in thousands)*

	<b>Twelve Months Ended April 30, 2017</b>	<b>Twelve Months Ended May 1, 2016</b>
Net cash provided by operating activities	\$ 32,981	\$ 26,795
Minus: Capital expenditures	(11,858)	(11,475)
Minus: Investment in unconsolidated joint venture	(1,129)	-
Add: Proceeds from the sale of equipment	141	233
Minus: Payments on life insurance policy	(18)	(18)
Minus: Payments on vendor-financed capital expenditures	(1,050)	-
Minus: Purchase of long-term investments (Rabbi Trust)	(1,351)	(1,649)
Add: Excess tax benefits related to stock-based compensation	657	841
Effect of exchange rate changes on cash and cash equivalents	(56)	498
Free Cash Flow	<u>\$ 18,317</u>	<u>\$ 15,225</u>

-MORE-

**Reconciliation of Return on Capital**  
**For the Twelve Months Ended April 30, 2017, and May 1, 2016**  
(Unaudited)  
(Amounts in thousands)

	<b>Twelve Months Ended April 30, 2017</b>	<b>Twelve Months Ended May 1, 2016</b>
Consolidated Income from Operations	\$ 30,078	\$ 28,338
Average Capital Employed (2)	95,055	88,691
Return on Average Capital Employed (1)	31.6%	32.0%

## Average Capital Employed

	<b>April 30, 2017</b>	<b>January 29, 2017</b>	<b>October 30, 2016</b>	<b>July 31, 2016</b>	<b>May 1, 2016</b>
Total assets	\$ 205,634	\$ 191,056	\$ 179,127	\$ 183,360	\$ 175,142
Total liabilities	(57,004)	(48,742)	(43,178)	(51,925)	(46,330)
Subtotal	\$ 148,630	\$ 142,314	\$ 135,949	\$ 131,435	\$ 128,812
Less:					
Cash and cash equivalents	(20,795)	(15,659)	(13,910)	(45,549)	(37,787)
Short-term investments	(2,443)	(2,410)	(2,430)	(2,434)	(4,359)
Long-term investments - Held-to-Maturity	(30,945)	(30,832)	(31,050)	-	-
Long-term investments - Rabbi Trust	(5,466)	(5,488)	(4,994)	(4,611)	(4,025)
Income taxes receivable	-	-	-	-	(155)
Deferred income taxes - non-current	(419)	(422)	(581)	(1,942)	(2,319)
Income taxes payable - current	287	217	513	358	180
Income taxes payable - long-term	467	1,817	3,734	3,779	3,841
Deferred income taxes - non-current	3,593	2,924	1,699	1,532	1,483
Line of credit	-	-	-	7,000	-
Deferred compensation	5,520	5,327	5,171	5,031	4,686
Total Capital Employed	\$ 98,429	\$ 97,788	\$ 94,101	\$ 94,599	\$ 90,357
Average Capital Employed (2)	\$ 95,055				

	<b>May 1, 2016</b>	<b>January 31, 2016</b>	<b>November 1, 2015</b>	<b>August 2, 2015</b>	<b>May 3, 2015</b>
Total assets	\$ 175,142	\$ 173,551	\$ 168,947	\$ 166,879	\$ 171,300
Total liabilities	(46,330)	(48,477)	(45,972)	(48,154)	(51,873)
Subtotal	\$ 128,812	\$ 125,074	\$ 122,975	\$ 118,725	\$ 119,427
Less:					
Cash and cash equivalents	(37,787)	(31,713)	(31,176)	(25,933)	(29,725)
Short-term investments	(4,359)	(4,259)	(6,320)	(6,336)	(10,004)
Long-term investments - Rabbi Trust	(4,025)	(3,590)	(3,279)	(2,893)	(2,415)
Income taxes receivable	(155)	(23)	(75)	(142)	(229)
Deferred income taxes - non-current	(2,319)	(4,312)	(3,415)	(4,405)	(5,169)
Current maturities of long-term debt	-	-	-	2,200	2,200
Income taxes payable - current	180	622	305	392	325
Income taxes payable - long-term	3,841	3,480	3,655	3,634	3,792
Deferred income taxes - non-current	1,483	1,209	1,206	1,071	982
Deferred compensation	4,686	4,495	4,421	4,280	4,041
Total Capital Employed	\$ 90,357	\$ 90,983	\$ 88,297	\$ 90,593	\$ 83,225
Average Capital Employed (2)	\$ 88,691				

## Notes:

(1) Return on average capital employed represents operating income for the fiscal 2017 or 2016 divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments, long-term investments - Held-To-Maturity, long-term investments - Rabbi Trust, current maturities of long-term debt, line of credit, noncurrent deferred tax assets and liabilities, income taxes receivable and payable, and deferred compensation.



(2) Average capital employed used for the twelve months ending April 30, 2017 was computed using the five quarterly periods ending April 30, 2017, January 29, 2017, October 30, 2016, July 31, 2016 and May 1, 2016.  
Average capital employed used for the twelve months ending May 1, 2016 was computed using the five quarterly periods ending May 1, 2016, January 31, 2016, November 1, 2015, August 2, 2015 and May 3, 2015.

-END-

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF NET INCOME**  
**FOR THREE AND TWELVE MONTHS ENDED APRIL 30, 2017 AND MAY 1, 2016**  
**(UNAUDITED)**  
**(Amounts in Thousands, Except for Per Share Data)**

**THREE MONTHS ENDED**

	Amounts		% Over (Under)	Percent of Sales	
	April 30, 2017	May 1, 2016		April 30, 2017	May 1, 2016
Net sales	\$ 77,350	77,253	0.1%	100.0%	100.0%
Cost of sales	<u>60,194</u>	<u>60,640</u>	<u>(0.7)%</u>	<u>77.8%</u>	<u>78.5%</u>
Gross profit	<u>17,156</u>	16,613	3.3%	22.2%	21.5%
Selling, general and administrative expenses	<u>9,986</u>	9,261	7.8%	12.9%	12.0%
Income from operations	<u>7,170</u>	7,352	(2.5)%	9.3%	9.5%
Interest income	(134)	(26)	415.4%	(0.2)%	(0.0)%
Other expense	<u>305</u>	211	44.5%	0.4%	0.3%
Income before income taxes	<u>6,999</u>	7,167	(2.3)%	9.0%	9.3%
Income taxes*	778	3,566	(78.2)%	11.1%	49.8%
Loss from investment in unconsolidated joint venture	23	-	100.0%	0.0%	0.0%
Net income	<u>\$ 6,198</u>	<u>3,601</u>	<u>72.1%</u>	<u>8.0%</u>	<u>4.7%</u>
Net income per share-basic	\$ 0.50	\$ 0.29	72.4%		
Net income per share-diluted	\$ 0.49	\$ 0.29	69.0%		
Average shares outstanding-basic	12,340	12,257	0.7%		
Average shares outstanding-diluted	12,567	12,434	1.1%		

**TWELVE MONTHS ENDED**

	Amounts		% Over (Under)	Percent of Sales	
	April 30, 2017	May 1, 2016		April 30, 2017	May 1, 2016
Net sales	\$ 309,544	312,860	(1.1)%	100.0%	100.0%
Cost of sales	<u>240,309</u>	<u>247,749</u>	<u>(3.0)%</u>	<u>77.6%</u>	<u>79.2%</u>
Gross profit	<u>69,235</u>	65,111	6.3%	22.4%	20.8%
Selling, general and administrative expenses	<u>39,157</u>	36,773	6.5%	12.6%	11.8%
Income from operations	<u>30,078</u>	28,338	6.1%	9.7%	9.1%
Interest income	(299)	(176)	69.9%	(0.1)%	(0.1)%
Other expense	<u>681</u>	616	10.6%	0.2%	0.2%
Income before income taxes	<u>29,696</u>	27,898	6.4%	9.6%	8.9%
Income taxes*	7,339	10,963	(33.1)%	24.7%	39.3%
Loss from investment in unconsolidated joint venture	23	-	100.0%	0.0%	0.0%
Net income	<u>\$ 22,334</u>	<u>16,935</u>	<u>31.9%</u>	<u>7.2%</u>	<u>5.4%</u>
Net income per share-basic	\$ 1.81	\$ 1.38	31.2%		
Net income per share-diluted	\$ 1.78	\$ 1.36	30.9%		
Average shares outstanding-basic	12,312	12,302	0.1%		
Average shares outstanding-diluted	12,518	12,475	0.3%		

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

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED BALANCE SHEETS**  
**APRIL 30, 2017 AND MAY 1, 2016**  
**Unaudited**  
**(Amounts in Thousands)**

	<b>Amounts</b>		Increase	
	<b>April 30, 2017</b>	<b>* May 1, 2016</b>	Dollars	Percent
<b>Current assets</b>				
Cash and cash equivalents	\$ 20,795	37,787	(16,992)	(45.0)%
Short-term investments	2,443	4,359	(1,916)	(44.0)%
Accounts receivable	24,577	23,481	1,096	4.7%
Inventories	51,482	46,531	4,951	10.6%
Income taxes receivable	-	155	(155)	(100.0)%
Other current assets	2,894	2,477	417	16.8%
Total current assets	<b>102,191</b>	114,790	(12,599)	(11.0)%
Property, plant & equipment, net	51,651	39,973	11,678	29.2%
Goodwill	11,462	11,462	-	0.0%
Deferred income taxes	419	2,319	(1,900)	(81.9)%
Long-term Investments - Held-To-Maturity	30,945	-	30,945	100.0%
Long-term Investments - Rabbi Trust	5,466	4,025	1,441	35.8%
Investment in unconsolidated joint venture	1,106	-	1,106	100.0%
Other assets	2,394	2,573	(179)	(7.0)%
Total assets	<b>\$ 205,634</b>	175,142	30,492	17.4%
<b>Current liabilities</b>				
Accounts payable - trade	29,101	23,994	5,107	21.3%
Accounts payable - capital expenditures	4,767	224	4,543	2,028.1%
Accrued expenses	11,947	11,922	25	0.2%
Income taxes payable - current	287	180	107	59.4%
Total current liabilities	<b>46,102</b>	36,320	9,782	26.9%
Accounts payable - capital expenditures	1,322	-	1,322	100.0%
Income taxes payable - long-term	467	3,841	(3,374)	(87.8)%
Deferred income taxes	3,593	1,483	2,110	142.3%
Deferred compensation	5,520	4,686	834	17.8%
Total liabilities	<b>57,004</b>	46,330	10,674	23.0%
Shareholders' equity	<b>148,630</b>	128,812	19,818	15.4%
Total liabilities and shareholders' equity	<b>\$ 205,634</b>	175,142	30,492	17.4%
Shares outstanding	<b>12,357</b>	12,265	92	0.8%

\* Derived from audited financial statements.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**SUMMARY OF CASH AND INVESTMENTS**  
**APRIL 30, 2017 AND MAY 1, 2016**  
**Unaudited**  
**(Amounts in Thousands)**

	Amounts	
	April 30, 2017	* May 1, 2016
Cash and cash equivalents	20,795	37,787
Short-term investments	2,443	4,359
Long-term investments (Held-To-Maturity)	30,945	-
Total Cash and Investments	54,183	42,146

\* Derived from audited financial statements.

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**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE TWELVE MONTHS ENDED APRIL 30, 2017 AND MAY 1, 2016**  
**Unaudited**  
**(Amounts in Thousands)**

	<b>TWELVE MONTHS ENDED</b>	
	Amounts	
	<b>April 30, 2017</b>	<b>May 1, 2016</b>
Cash flows from operating activities:		
Net income	\$ 22,334	16,935
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,085	6,671
Amortization of assets	244	170
Stock-based compensation	3,358	2,742
Deferred income taxes	4,667	4,192
Realized loss on sale of short-term investments	12	127
Gain on sale of equipment	(131)	(35)
Loss from investment in unconsolidated joint venture	23	-
Excess tax benefits related to stock-based compensation	(657)	(841)
Foreign currency exchange loss (gain)	78	(40)
Changes in assets and liabilities:		
Accounts receivable	(1,555)	4,476
Inventories	(5,437)	(4,407)
Other current assets	(495)	(206)
Other assets	30	(46)
Accounts payable	5,828	(3,785)
Accrued expenses and deferred compensation	563	751
Income taxes	(2,966)	91
Net cash provided by operating activities	<u>32,981</u>	<u>26,795</u>
Cash flows from investing activities:		
Capital expenditures	(11,858)	(11,475)
Investment in unconsolidated joint venture	(1,129)	-
Proceeds from the sale of equipment	141	233
Payment on life insurance policy	(18)	(18)
Proceeds from the sale of short-term investments	2,000	5,612
Purchase of short-term investments	(44)	(104)
Purchase of long-term investments (Held-To-Maturity)	(31,020)	-
Purchase of long-term investments (Rabbi Trust)	(1,351)	(1,649)
Net cash used in investing activities	<u>(43,279)</u>	<u>(7,401)</u>
Cash flows from financing activities:		
Proceeds from line of credit	9,000	7,000
Payments on line of credit	(9,000)	(7,000)
Payments on vendor-financed capital expenditures	(1,050)	-
Payments on long-term debt	-	(2,200)
Excess tax benefits related to stock-based compensation	657	841
Repurchase of common stock	-	(2,397)
Dividends paid	(6,280)	(8,140)
Proceeds from common stock issued	37	200
Payments on debt issuance costs	(2)	(134)
Net cash used in financing activities	<u>(6,638)</u>	<u>(11,830)</u>
Effect of exchange rate changes on cash and cash equivalents	(56)	498
(Decrease) increase in cash and cash equivalents	(16,992)	8,062
Cash and cash equivalents at beginning of period	<u>37,787</u>	<u>29,725</u>
Cash and cash equivalents at end of period	<u>\$ 20,795</u>	<u>37,787</u>
Free Cash Flow (1)	<u>\$ 18,317</u>	<u>15,225</u>

**(1) Free Cash Flow reconciliation is as follows:**

	<b>FY 2017</b>	<b>FY 2016</b>
A) Net cash provided by operating activities	<b>\$ 32,981</b>	26,795
B) Minus: Capital Expenditures	<b>(11,858)</b>	(11,475)
C) Minus: Investment in unconsolidated joint venture	<b>(1,129)</b>	-
D) Add: Proceeds from the sale of equipment	<b>141</b>	233
E) Minus: Payment on life insurance policy	<b>(18)</b>	(18)
F) Minus: Payments on vendor-financed capital expenditures	<b>(1,050)</b>	-
G) Minus: Purchase of long-term investments (Rabbi Trust)	<b>(1,351)</b>	(1,649)
H) Add: Excess tax benefits related to stock-based compensation	<b>657</b>	841
I) Effects of exchange rate changes on cash and cash equivalents	<b>(56)</b>	498
	<b>\$ 18,317</b>	15,225

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**STATEMENTS OF OPERATIONS BY SEGMENT**  
**FOR THE THREE MONTHS ENDED APRIL 30, 2017 AND MAY 1, 2016**  
**(Unaudited)**  
**(Amounts in thousands)**

	<b>THREE MONTHS ENDED</b>				
	Amounts			Percent of Total Sales	
	<b>April 30, 2017</b>	May 1, 2016	% Over (Under)	<b>April 30, 2017</b>	May 1, 2016
<b>Net Sales by Segment</b>					
Mattress Fabrics	\$ 48,828	48,897	(0.1)%	63.1%	63.3%
Upholstery Fabrics	28,522	28,356	0.6%	36.9%	36.7%
Net Sales	<u>\$ 77,350</u>	<u>77,253</u>	<u>0.1%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Gross Profit by Segment</b>					
Mattress Fabrics	\$ 10,653	10,585	0.6%	21.8%	21.6%
Upholstery Fabrics	6,503	6,028	7.9%	22.8%	21.3%
Gross Profit	<u>\$ 17,156</u>	<u>16,613</u>	<u>3.3%</u>	<u>22.2%</u>	<u>21.5%</u>
<b>Selling, General and Administrative Expenses by Segment</b>					
Mattress Fabrics	\$ 3,500	3,357	4.3%	7.2%	6.9%
Upholstery Fabrics	3,993	3,723	7.3%	14.0%	13.1%
Unallocated Corporate expenses	2,493	2,181	14.3%	3.2%	2.8%
Selling, General and Administrative Expenses	<u>\$ 9,986</u>	<u>9,261</u>	<u>7.8%</u>	<u>12.9%</u>	<u>12.0%</u>
<b>Operating Income (loss) by Segment</b>					
Mattress Fabrics	\$ 7,153	7,228	(1.0)%	14.6%	14.8%
Upholstery Fabrics	2,510	2,305	8.9%	8.8%	8.1%
Unallocated corporate expenses	(2,493)	(2,181)	14.3%	(3.2)%	(2.8)%
Operating income	<u>\$ 7,170</u>	<u>7,352</u>	<u>(2.5)%</u>	<u>9.3%</u>	<u>9.5%</u>
<b>Depreciation Expense by Segment</b>					
Mattress Fabrics	\$ 1,572	1,564	0.5%		
Upholstery Fabrics	209	219	(4.6)%		
Depreciation Expense	<u>\$ 1,781</u>	<u>1,783</u>	<u>(0.1)%</u>		

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**STATEMENTS OF OPERATIONS BY SEGMENT**  
**FOR THE TWELVE MONTHS ENDED APRIL 30, 2017 AND MAY 1, 2016**  
**(Unaudited)**  
**(Amounts in thousands)**

	<b>TWELVE MONTHS ENDED</b>				
	Amounts		% Over (Under)	Percent of Total Sales	
	April 30, 2017	May 1, 2016		April 30, 2017	May 1, 2016
<b>Net Sales by Segment</b>					
Mattress Fabrics	\$ 190,805	186,419	2.4%	61.6%	59.6%
Upholstery Fabrics	118,739	126,441	(6.1)%	38.4%	40.4%
Net Sales	<u>\$ 309,544</u>	<u>312,860</u>	<u>(1.1)%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Gross Profit by Segment</b>					
Mattress Fabrics	\$ 43,065	38,718	11.2%	22.6%	20.8%
Upholstery Fabrics	26,170	26,393	(0.8)%	22.0%	20.9%
Gross Profit	<u>\$ 69,235</u>	<u>65,111</u>	<u>6.3%</u>	<u>22.4%</u>	<u>20.8%</u>
<b>Selling, General and Administrative Expenses by Segment</b>					
Mattress Fabrics	\$ 13,685	12,223	12.0%	7.2%	6.6%
Upholstery Fabrics	15,079	15,094	(0.1)%	12.7%	11.9%
Unallocated Corporate expenses	10,393	9,456	9.9%	3.4%	3.0%
Selling, General, and Administrative Expenses	<u>\$ 39,157</u>	<u>36,773</u>	<u>6.5%</u>	<u>12.6%</u>	<u>11.8%</u>
<b>Operating Income (loss) by Segment</b>					
Mattress Fabrics	\$ 29,380	26,496	10.9%	15.4%	14.2%
Upholstery Fabrics	11,091	11,298	(1.8)%	9.3%	8.9%
Unallocated corporate expenses	(10,393)	(9,456)	9.9%	(3.4)%	(3.0)%
Operating income	<u>\$ 30,078</u>	<u>28,338</u>	<u>6.1%</u>	<u>9.7%</u>	<u>9.1%</u>
<b>Return on Capital (1)</b>					
Mattress Fabrics	37.5%	36.7%			
Upholstery Fabrics	63.8%	65.2%			
Unallocated Corporate	N/A	N/A			
Consolidated	<u>31.6%</u>	<u>32.0%</u>			
<b>Capital Employed (2)</b>					
Mattress Fabrics	83,422	74,637	11.8%		
Upholstery Fabrics	16,006	17,025	(6.0)%		
Unallocated Corporate	(999)	(1,305)	N/A		
Consolidated	<u>98,429</u>	<u>90,357</u>	<u>8.9%</u>		
<b>Depreciation Expense by Segment</b>					
Mattress Fabrics	\$ 6,245	5,837	7.0%		
Upholstery Fabrics	840	834	0.7%		
Depreciation Expense	<u>\$ 7,085</u>	<u>6,671</u>	<u>6.2%</u>		

## Notes:

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

(2) The capital employed balances are as of April 30, 2017 and May 1, 2016.



**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA**  
**FOR THE TWELVE MONTHS ENDED APRIL 30, 2017 AND MAY 1, 2016**  
**(UNAUDITED)**  
**(AMOUNTS IN THOUSANDS)**

	Quarter Ended				Trailing 12 Months 4/30/2017
	7/31/2016	10/30/2016	1/29/2017	4/30/2017	
Net income	\$ 5,314	\$ 4,475	\$ 6,347	\$ 6,198	\$ 22,334
Income taxes	3,234	2,684	643	778	7,339
Interest income, net	(26)	(15)	(124)	(134)	(299)
Depreciation and amortization expense	1,813	1,778	1,875	1,863	7,329
Stock based compensation	761	896	962	739	3,358
Adjusted EBITDA	<u>\$ 11,096</u>	<u>\$ 9,818</u>	<u>\$ 9,703</u>	<u>\$ 9,444</u>	<u>\$ 40,061</u>

  

	Quarter Ended				Trailing 12 Months 05/01/16
	8/2/2015	11/1/2015	01/31/16	05/01/16	
Net income	\$ 4,701	\$ 3,771	\$ 4,862	\$ 3,601	\$ 16,935
Income taxes	2,707	2,373	2,317	3,566	10,963
Interest income, net	(43)	(69)	(38)	(26)	(176)
Depreciation and amortization expense	1,602	1,668	1,741	1,830	6,841
Stock based compensation	265	1,074	625	778	2,742
Adjusted EBITDA	<u>\$ 9,232</u>	<u>\$ 8,817</u>	<u>\$ 9,507</u>	<u>\$ 9,749</u>	<u>\$ 37,305</u>
% Over (Under)	<u>20.2%</u>	<u>11.4%</u>	<u>2.1%</u>	<u>-3.1%</u>	<u>7.4%</u>

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**RETURN ON CAPITAL EMPLOYED BY SEGMENT**  
**FOR THE TWELVE MONTHS ENDED APRIL 30, 2017**  
**(Amounts in Thousands)**  
**(Unaudited)**

	<b>Operating Income Twelve Months Ended April 30, 2017 (1)</b>	<b>Average Capital Employed (3)</b>	<b>Return on Avg. Capital Employed (2)</b>
Mattress Fabrics	\$ 29,380	\$ 78,312	37.5%
Upholstery Fabrics	11,091	17,371	63.8%
(less: Unallocated Corporate)	(10,393)	(628)	N/A
<b>Total</b>	<b>\$ 30,078</b>	<b>\$ 95,055</b>	<b>31.6%</b>

**Average Capital Employed**

	<b>As of the three Months Ended April 30, 2017</b>				<b>As of the three Months Ended January 29, 2017</b>				<b>As of the three Months Ended October 30, 2016</b>			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	\$ 111,041	\$ 32,255	\$ 62,338	\$ 205,634	\$ 103,782	\$ 30,380	\$ 56,894	\$ 191,056	\$ 94,700	\$ 29,361	\$ 55,066	\$ 179,127
Total liabilities	(27,619)	(16,249)	(13,136)	(57,004)	(23,126)	(11,960)	(13,656)	(48,742)	(18,499)	(11,180)	(13,499)	(43,178)
<b>Subtotal</b>	<b>\$ 83,422</b>	<b>\$ 16,006</b>	<b>\$ 49,202</b>	<b>\$ 148,630</b>	<b>\$ 80,656</b>	<b>\$ 18,420</b>	<b>\$ 43,238</b>	<b>\$ 142,314</b>	<b>\$ 76,201</b>	<b>\$ 18,181</b>	<b>\$ 41,567</b>	<b>\$ 135,949</b>
Less:												
Cash and cash equivalents	-	-	(20,795)	(20,795)	-	-	(15,659)	(15,659)	-	-	(13,910)	(13,910)
Short-term investments	-	-	(2,443)	(2,443)	-	-	(2,410)	(2,410)	-	-	(2,430)	(2,430)
Long-term investments - Held-To-Maturity	-	-	(30,945)	(30,945)	-	-	(30,832)	(30,832)	-	-	(31,050)	(31,050)
Long-term investments - Rabbi Trust	-	-	(5,466)	(5,466)	-	-	(5,488)	(5,488)	-	-	(4,994)	(4,994)
Income taxes receivable	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes - non-current	-	-	(419)	(419)	-	-	(422)	(422)	-	-	(581)	(581)
Income taxes payable - current	-	-	287	287	-	-	217	217	-	-	513	513
Income taxes payable - long-term	-	-	467	467	-	-	1,817	1,817	-	-	3,734	3,734
Deferred income taxes - non-current	-	-	3,593	3,593	-	-	2,924	2,924	-	-	1,699	1,699
Line of credit	-	-	-	-	-	-	-	-	-	-	-	-
Deferred compensation	-	-	5,520	5,520	-	-	5,327	5,327	-	-	5,171	5,171
<b>Total Capital Employed</b>	<b>\$ 83,422</b>	<b>\$ 16,006</b>	<b>\$ (999)</b>	<b>\$ 98,429</b>	<b>\$ 80,656</b>	<b>\$ 18,420</b>	<b>\$ (1,288)</b>	<b>\$ 97,788</b>	<b>\$ 76,201</b>	<b>\$ 18,181</b>	<b>\$ (281)</b>	<b>\$ 94,101</b>

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

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
<b>Average Capital Employed (3)</b>	<b>\$ 78,312</b>	<b>\$ 17,371</b>	<b>\$ (628)</b>	<b>\$ 95,055</b>

**Notes:**

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

(2) Return on average capital employed represents operating income for fiscal 2017 divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments, long-term investments - Held-To-Maturity, long-term investments - Rabbi Trust, noncurrent deferred tax assets and liabilities, income taxes receivable and payable, line of credit, and deferred compensation.

(3) Average capital employed was computed using the five quarterly periods ending April 30, 2017 January 29, 2017, October 30, 2016, July 31, 2016 and May 1, 2016.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**RETURN ON CAPITAL EMPLOYED BY SEGMENT**  
**FOR THE TWELVE MONTHS ENDED MAY 1, 2016**  
**(Amounts in Thousands)**  
**(Unaudited)**

	<b>Operating Income Twelve Months Ended May 1, 2016 (1)</b>	<b>Average Capital Employed (3)</b>	<b>Return on Avg. Capital Employed (2)</b>
Mattress Fabrics	\$ 26,496	\$ 72,121	36.7%
Upholstery Fabrics	11,298	17,336	65.2%
(less: Unallocated Corporate)	(9,456)	(765)	N/A
<b>Total</b>	<b>\$ 28,338</b>	<b>\$ 88,691</b>	<b>32.0%</b>

**Average Capital Employed**

	<b>As of the three Months Ended May 1, 2016</b>				<b>As of the three Months Ended January 31, 2016</b>				<b>As of the three Months Ended November 1, 2015</b>			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	\$ 94,878	\$ 29,463	\$ 50,801	\$ 175,142	\$ 93,779	\$ 33,975	\$ 45,797	\$ 173,551	\$ 90,730	\$ 32,187	\$ 46,030	\$ 168,947
Total liabilities	(20,241)	(12,438)	(13,651)	(46,330)	(21,135)	(14,352)	(12,990)	(48,477)	(19,228)	(15,129)	(11,615)	(45,972)
<b>Subtotal</b>	<b>\$ 74,637</b>	<b>\$ 17,025</b>	<b>\$ 37,150</b>	<b>\$ 128,812</b>	<b>\$ 72,644</b>	<b>\$ 19,623</b>	<b>\$ 32,807</b>	<b>\$ 125,074</b>	<b>\$ 71,502</b>	<b>\$ 17,058</b>	<b>\$ 34,415</b>	<b>\$ 122,975</b>
Less:												
Cash and cash equivalents	-	-	(37,787)	(37,787)	-	-	(31,713)	(31,713)	-	-	(31,176)	(31,176)
Short-term investments	-	-	(4,359)	(4,359)	-	-	(4,259)	(4,259)	-	-	(6,320)	(6,320)
Long-term investments - Rabbi Trust	-	-	(4,025)	(4,025)	-	-	(3,590)	(3,590)	-	-	(3,279)	(3,279)
Income taxes receivable	-	-	(155)	(155)	-	-	(23)	(23)	-	-	(75)	(75)
Deferred income taxes - non-current	-	-	(2,319)	(2,319)	-	-	(4,312)	(4,312)	-	-	(3,415)	(3,415)
Current maturities of long-term debt	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes payable - current	-	-	180	180	-	-	622	622	-	-	305	305
Income taxes payable - long-term	-	-	3,841	3,841	-	-	3,480	3,480	-	-	3,655	3,655
Deferred income taxes - non-current	-	-	1,483	1,483	-	-	1,209	1,209	-	-	1,206	1,206
Deferred compensation	-	-	4,686	4,686	-	-	4,495	4,495	-	-	4,421	4,421
<b>Total Capital Employed</b>	<b>\$ 74,637</b>	<b>\$ 17,025</b>	<b>\$ (1,305)</b>	<b>\$ 90,357</b>	<b>\$ 72,644</b>	<b>\$ 19,623</b>	<b>\$ (1,284)</b>	<b>\$ 90,983</b>	<b>\$ 71,502</b>	<b>\$ 17,058</b>	<b>\$ (263)</b>	<b>\$ 88,297</b>

	<b>As of the three Months Ended August 2, 2015</b>				<b>As of the three Months Ended May 3, 2015</b>			
	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	\$ 91,614	\$ 33,795	\$ 41,470	\$ 166,879	\$ 89,066	\$ 32,838	\$ 49,396	\$ 171,300
Total liabilities	(20,265)	(14,849)	(13,040)	(48,154)	(18,594)	(18,812)	(14,467)	(51,873)
<b>Subtotal</b>	<b>\$ 71,349</b>	<b>\$ 18,946</b>	<b>\$ 28,430</b>	<b>\$ 118,725</b>	<b>\$ 70,472</b>	<b>\$ 14,026</b>	<b>\$ 34,929</b>	<b>\$ 119,427</b>
Less:								
Cash and cash equivalents	-	-	(25,933)	(25,933)	-	-	(29,725)	(29,725)
Short-term investments	-	-	(6,336)	(6,336)	-	-	(10,004)	(10,004)
Long-term investments - Rabbi Trust	-	-	(2,893)	(2,893)	-	-	(2,415)	(2,415)
Income taxes receivable	-	-	(142)	(142)	-	-	(229)	(229)
Deferred income taxes - non-current	-	-	(4,405)	(4,405)	-	-	(5,169)	(5,169)
Current maturities of long-term debt	-	-	2,200	2,200	-	-	2,200	2,200
Income taxes payable - current	-	-	392	392	-	-	325	325
Income taxes payable - long-term	-	-	3,634	3,634	-	-	3,792	3,792
Deferred income taxes - non-current	-	-	1,071	1,071	-	-	982	982
Deferred compensation	-	-	4,280	4,280	-	-	4,041	4,041
<b>Total Capital Employed</b>	<b>\$ 71,349</b>	<b>\$ 18,946</b>	<b>\$ 298</b>	<b>\$ 90,593</b>	<b>\$ 70,472</b>	<b>\$ 14,026</b>	<b>\$ (1,273)</b>	<b>\$ 83,225</b>

	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
<b>Average Capital Employed (3)</b>	<b>\$ 72,121</b>	<b>\$ 17,336</b>	<b>\$ (765)</b>	<b>\$ 88,691</b>

**Notes:**

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

(2) Return on average capital employed represents operating income for fiscal 2016 divided by average capital employed. Average capital employed does not include cash and cash equivalents, short-term investments, long-term investments - Rabbi Trust, current maturities of long-term debt, noncurrent deferred tax assets and liabilities, income taxes receivable and payable, and deferred compensation.

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

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED ADJUSTED EFFECTIVE INCOME TAX RATE**  
**FOR THE TWELVE MONTHS ENDED APRIL 30, 2017 AND MAY 1, 2016**  
**Unaudited**  
**(Amounts in Thousands)**

		<b>TWELVE MONTHS ENDED</b>	
		Amounts	
		<b>April 30, 2017</b>	May 1, 2016
Consolidated Effective GAAP Income Tax Rate	(1)	24.7%	39.3%
Non-Cash U.S. Income Tax Expense		<b>(18.2)%</b>	(20.3)%
Reversal of Foreign Uncertain Income Tax Position		<b>11.6%</b>	0.0%
Other Non-Cash Foreign Income Tax Expense		<b>(0.6)%</b>	(0.4)%
Consolidated Adjusted Effective Income Tax Rate	(2)	<b>17.5%</b>	18.6%

(1) Calculated by dividing consolidated income tax expense by consolidated income before income taxes.

(2) Represents estimated cash income tax expense for our subsidiaries located in Canada and China divided by consolidated income before income taxes.