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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) May 22, 1997

CULP, INC.

(Exact name of registrant as specified in its charter)

North Carolina (State or other jurisdiction of incorporation)	0-12781 (Commission File No.)	56-1001967 (IRS Employer Identification No.)
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101 South Main Street
High Point, North Carolina 27260
(Address of principal executive offices)
(910) 889-5161
(Registrant's telephone number, including area code)

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

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FOR IMMEDIATE RELEASE

CULP REPORTS RECORD SALES AND EARNINGS FOR FISCAL 1997

EARNINGS INCREASE FOR EIGHTH CONSECUTIVE YEAR

HIGH POINT, North Carolina (May 22, 1997) Culp, Inc. (NYSE:CFI) today reported higher sales and earnings for the fourth quarter and fiscal year ended April 27, 1997.

Net sales for the quarter increased 3% to \$105.7 million compared with \$102.2 million a year ago. Net income for the quarter rose 20% to \$4.8 million, or \$0.39 per share, compared with \$4.1 million, or \$0.36 per share, in the fourth quarter of fiscal 1996.

For the 1997 fiscal year, net sales totaled \$398.9 million, up 13% from \$351.7 million in fiscal 1996. Net income for the year rose 25% to \$13.8 million, or \$1.18 per share, up from \$11.0 million, or \$0.98 per share, in fiscal 1996.

"Fiscal 1997 marked the eighth consecutive year in which Culp has attained higher net income," said Robert G. Culp, III, chief executive officer. "Each quarter during the year included record sales and earnings compared with the respective year-earlier periods. The fourth quarter by itself represented the 18th consecutive quarter of record earnings. We are particularly pleased that the gains in both net sales and net income for the year reflect internal growth in our existing business units."

Culp continued, "Business within the United States did slow during our second half, but we still achieved an 8% gain in sales to U.S.-based accounts for the year. International shipments provided a major impetus to our growth by increasing 31% to \$101.6 million and accounting for 25% of net sales, up from 22% in fiscal 1996. The pattern of increased sales to customers outside the United States has markedly accelerated our progress and enabled us to achieve a stronger competitive position on a worldwide basis. Only a few years ago, our shipments outside the United States were largely confined to the nearby North American markets of Canada and Mexico. Customers there now represent less than one-third of Culp's shipments outside the United States. Europe has become our largest international market for

fabrics, and we now ship considerable volume to distributors in the Middle East, Asia and the Far East.

"As our worldwide stature has risen in recent years, we have increasingly identified the importance of the design of new patterns and textures. To deliver value, our fabrics must enhance the retail appeal of customers' products. We have responded to this need with the addition of experienced personnel and the investment in new computer-aided design systems. We have also emphasized the importance of cooperating at all corporate levels to ensure that design is not just expressed but delivered. A tangible expression of this commitment is the new Howard L. Dunn Design Center which is planned for completion later this fiscal year. The center will consolidate most of our design resources, thereby providing an exceptional environment for creativity and imagination."

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

CULP, INC.
Condensed Financial Highlights

	Three Months Ended	
	April 27, 1997	April 28, 1996
	----	----
Net sales	\$ 105,678,000	\$ 102,162,000
Net income	4,840,000	4,050,000
	-----	-----
Earnings per share	\$ 0.39	\$ 0.36
	-----	-----

	Fiscal Year Ended	
	April 27, 1997	April 28, 1996
	----	----
Net sales	\$ 398,879,000	\$ 351,667,000
Net income	13,770,000	10,980,000
	-----	-----
Earnings per share	\$ 1.18	\$ 0.98
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Item 5. Other Events

See Press Release (attached) dated May 22, 1997 related to fourth quarter and year-end earnings for the period ended April 27, 1997.

See Financial Information Release (attached).

Forward Looking Information. The discussion in this Form 8-K may contain statements that could be deemed forward-looking statements, which are inherently subject to risks and uncertainties. Factors that could influence the matters discussed include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the company's business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could adversely affect the company.

SIGNATURES

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

CULP, INC.
(Registrant)

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

By: Stephen T. Hancock

Stephen T. Hancock
General Accounting Manager

Dated: May 22, 1997

CULP, INC. FINANCIAL INFORMATION RELEASE
 CONSOLIDATED INCOME STATEMENTS
 FOR THE THREE MONTHS AND TWELVE MONTHS ENDED APRIL 27, 1997 AND APRIL 28, 1996

(Amounts in Thousands, Except for Per Share Data)

THREE MONTHS ENDED (UNAUDITED)

	Amounts			Percent of Sales	
	April 27, 1997	April 28, 1996	% Over (Under)	1997	1996
Net sales	\$ 105,678	102,162	3.4 %	100.0 %	100.0 %
Cost of sales	85,386	82,957	2.9 %	80.8 %	81.2 %
Gross profit	20,292	19,205	5.7 %	19.2 %	18.8 %
Selling, general and administrative expenses	11,730	11,300	3.8 %	11.1 %	11.1 %
Income from operations	8,562	7,905	8.3 %	8.1 %	7.7 %
Interest expense	1,019	1,352	(24.6)%	1.0 %	1.3 %
Interest income	(90)	(92)	** %	(0.1)%	(0.1)%
Other expense (income), net	404	365	10.7 %	0.4 %	0.4 %
Income before income taxes	7,229	6,280	15.1 %	6.8 %	6.1 %
Income taxes *	2,389	2,230	7.1 %	33.0 %	35.5 %
Net income	\$ 4,840	4,050	19.5 %	4.6 %	4.0 %
Average shares outstanding	12,546	11,284	11.2 %		
Net income per share	\$0.39	\$0.36	8.3 %		
Dividends per share	\$0.0325	\$0.0275	18.2 %		

TWELVE MONTHS ENDED

	Amounts			Percent of Sales	
	April 27, 1997	April 28, 1996	% Over (Under)	1997	1996
Net sales	\$ 398,879	351,667	13.4 %	100.0 %	100.0 %
Cost of sales	326,394	289,129	12.9 %	81.8 %	82.2 %
Gross profit	72,485	62,538	15.9 %	18.2 %	17.8 %
Selling, general and administrative expenses	45,058	39,068	15.3 %	11.3 %	11.1 %
Income from operations	27,427	23,470	16.9 %	6.9 %	6.7 %
Interest expense	4,671	5,316	(12.1)%	1.2 %	1.5 %
Interest income	(280)	(92)	** %	(0.1)%	(0.0)%
Other expense (income), net	1,521	956	59.1 %	0.4 %	0.3 %
Income before income taxes	21,515	17,290	24.4 %	5.4 %	4.9 %
Income taxes *	7,745	6,310	22.7 %	36.0 %	36.5 %
Net income	\$ 13,770	10,980	25.4 %	3.5 %	3.1 %
Average shares outstanding	11,624	11,234	3.5 %		
Net income per share	\$1.18	\$0.98	20.4 %		
Dividends per share	\$0.1300	\$0.1100	18.2 %		

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

** Measurement is not meaningful.

CULP, INC. FINANCIAL INFORMATION RELEASE
 CONSOLIDATED BALANCE SHEETS
 APRIL 27, 1997 AND APRIL 28, 1996

(Amounts in Thousands)

	Amounts April 27, 1997	April 28, 1996	Increase (Decrease)	
	-----	-----	Dollars	Percent
	-----	-----	-----	-----
Current assets				
Cash and cash investments	\$ 830	498	332	66.7 %
Accounts receivable	56,691	52,038	4,653	8.9 %
Inventories	53,463	47,395	6,068	12.8 %
Other current assets	5,450	4,191	1,259	30.0 %
	-----	-----	-----	-----
Total current assets	116,434	104,122	12,312	11.8 %
Restricted investments				
Property, plant & equipment, net	11,018	5,250	5,768	109.9 %
Goodwill	91,231	76,961	14,270	18.5 %
Other assets	22,262	22,871	(609)	(2.7)%
	3,007	2,440	567	23.2 %
	-----	-----	-----	-----
Total assets	\$ 243,952	211,644	32,308	15.3 %
	=====	=====	=====	=====
Current Liabilities				
Current maturities of long-term debt	\$ 100	7,100	(7,000)	(98.6)%
Accounts payable	29,903	27,308	2,595	9.5 %
Accrued expenses	15,074	12,564	2,510	20.0 %
Income taxes payable	1,580	197	1,383	702.0 %
	-----	-----	-----	-----
Total current liabilities	46,657	47,169	(512)	(1.1)%
Long-term debt	76,541	74,941	1,600	2.1 %
Deferred income taxes	9,965	8,088	1,877	23.2 %
	-----	-----	-----	-----
Total liabilities	133,163	130,198	2,965	2.3 %
Shareholders' equity	110,789	81,446	29,343	36.0 %
	-----	-----	-----	-----
Total liabilities and shareholders' equity	\$ 243,952	211,644	32,308	15.3 %
	=====	=====	=====	=====
Shares outstanding	12,609	11,290	1,319	11.7 %
	-----	-----	-----	-----

CULP, INC. FINANCIAL INFORMATION RELEASE
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED APRIL 27, 1997 AND APRIL 28, 1996
 (Amounts in Thousands)

	TWELVE MONTHS ENDED	
	Amounts	
	April 27, 1997	April 28, 1996
Cash flows from operating activities:		
Net income	\$ 13,770	10,980
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,688	12,348
Amortization of intangible assets	810	748
Provision for deferred income taxes	966	2,210
Changes in assets and liabilities:		
Accounts receivable	(4,653)	(7,786)
Inventories	(6,068)	(1,624)
Other current assets	(348)	(537)
Other assets	(205)	(103)
Accounts payable	2,586	(1,077)
Accrued expenses	2,510	1,032
Income taxes payable	1,383	(464)
Net cash provided by operating activities	23,439	15,727
Cash flows from investing activities:		
Capital expenditures	(26,958)	(14,385)
Purchases of restricted investments	(9,770)	(6,019)
Purchase of investments to fund deferred compensation liability	(563)	(1,286)
Sale of restricted investments	4,002	1,564
Net cash used in investing activities	(33,289)	(20,126)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	54,500	19,854
Principal payments on long-term debt	(59,900)	(11,555)
Change in accounts payable-capital expenditures	9	(3,865)
Dividends paid	(1,513)	(1,236)
Proceeds from common stock issued	17,086	306
Net cash provided by financing activities	10,182	3,504
Increase (decrease) in cash and cash investments	332	(895)
Cash and cash investments at beginning of period	498	1,393
Cash and cash investments at end of period	\$ 830	498

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL ANALYSIS
APRIL 27, 1997

	FISCAL 96		FISCAL 97			LTM
	Q4	Q1	Q2	Q3	Q4	
INVENTORIES						
Inventory turns	6.8	6.0	6.6	6.2	6.6	
RECEIVABLES						
Days sales in receivables	46	43	45	47	49	
Percent current & less than 30 days past due	99.0%	99.3%	99.9%	99.8%	99.1%	
WORKING CAPITAL						
Current ratio	2.2	2.2	2.1	2.4	2.5	
Working capital turnover	5.3	5.4	5.4	5.3	5.3	
Working capital	\$56,953	\$53,635	\$57,230	\$60,689	\$69,777	
Working capital as a % of sales (4)	13.9%	14.8%	13.6%	15.6%	16.5%	
PROPERTY, PLANT & EQUIPMENT						
Depreciation rate	8.3%	8.3%	8.1%	7.5%	7.5%	
Percent property, plant & equipment are depreciated	47.7%	48.2%	48.6%	47.9%	47.4%	
Capital expenditures	\$14,385 (1)	\$4,475	\$5,201	\$8,949	\$8,333	
PROFITABILITY						
Net profit margin	4.0%	2.4%	3.5%	3.1%	4.6%	3.5%
Gross profit margin	18.8%	17.6%	18.2%	17.6%	19.2%	18.2%
Operating income margin	7.7%	5.6%	7.1%	6.6%	8.1%	6.9%
SG & A expenses/net sales	11.1%	12.0%	11.1%	11.0%	11.1%	11.3%
Return on average total capital	11.2%	5.7%	9.3%	7.5%	11.7%	8.4%
Return on average equity	22.7%	10.7%	17.4%	14.1%	20.9%	15.2%
Earnings per share	\$0.36	\$0.20	\$0.33	\$0.27	\$0.39	\$1.18
LEVERAGE (3)						
Total liabilities/equity	153.4%	149.9%	152.8%	154.8%	120.2%	
Funded debt/equity	94.3%	87.3%	85.9%	90.0%	59.2%	
Funded debt/capital employed	48.5%	46.6%	46.2%	47.4%	37.2%	
Funded debt	\$76,791	\$72,772	\$74,612	\$80,588	\$65,623	
Funded debt/EBITDA (LTM)	2.16	1.98	1.97	2.09	1.67	
EBITDA/Interest expense, net (LTM)						9.0
OTHER						
Book value per share	\$7.21	\$7.37	\$7.66	\$7.89	\$8.79	
Employees at quarter end	2,966	3,020	3,098	3,143	3,146	
Sales per employee (annualized)	\$140,000	\$120,000	\$138,000	\$125,000	\$134,000	
Capital employed (3)	\$158,237	\$156,128	\$161,447	\$170,166	\$176,412	
Effective income tax rate	35.5%	37.5%	37.5%	37.5%	33.0%	
EBITDA (2)	\$10,814	\$8,003	\$10,540	\$9,279	\$11,582	\$39,404
EBITDA/net sales	10.6%	8.8%	10.0%	9.5%	11.0%	9.9%

(1) Expenditures for entire year

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

(3) Total liabilities, long-term debt, funded debt and capital employed are all net of restricted investments. (4) Working capital for this calculation is accounts receivable, inventories and accounts payable.

(5) LTM represents "Latest Twelve Months"

CULP, INC. FINANCIAL INFORMATION RELEASE
SALES BY PRODUCT CATEGORY/BUSINESS UNIT
FOR THREE MONTHS AND TWELVE MONTHS ENDED APRIL 27, 1997 AND APRIL 28, 1996

(Amounts in thousands)

Product Category/Business	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
	April 27 1997	April 28, 1996	% Over (Under)	1997	1996

Upholstery Fabrics					
Culp Textures	\$ 23,027	23,400	(1.6)%	21.8 %	22.9 %
Rossville/Chromatex	20,672	22,318	(7.4)%	19.6 %	21.8 %
	-----	-----	-----	-----	-----
	43,699	45,718	(4.4)%	41.4 %	44.8 %
Velvets/Prints	40,980	38,261	7.1 %	38.8 %	37.5 %
	-----	-----	-----	-----	-----
	84,679	83,979	0.8 %	80.1 %	82.2 %
Culp Home Fashions	20,999	18,183	15.5 %	19.9 %	17.8 %
	-----	-----	-----	-----	-----
	* \$105,678	102,162	3.4 %	100.0%	100.0 %
	=====	=====	=====	=====	=====

Product Category/Business	TWELVE MONTHS ENDED				
	Amounts			Percent of Total Sales	
	April 27 1997	April 28, 1996	%Over (Under)	1997	1996

Upholstery Fabrics					
Culp Textures	\$ 88,218	84,384	4.5 %	22.1 %	24.0 %
Rossville/Chromatex	79,512	74,203	7.2 %	19.9 %	21.1 %
	-----	-----	-----	-----	-----
	167,730	158,587	5.8 %	42.1 %	45.1 %
Velvets/Prints	156,467	125,701	24.5 %	39.2 %	35.7 %
	-----	-----	-----	-----	-----
	324,197	284,288	14.0 %	81.3 %	80.8 %
Culp Home Fashions	74,682	67,379	10.8 %	18.7 %	19.2 %
	-----	-----	-----	-----	-----
	\$398,879	351,667	13.4 %	100.0%	100.0 %
	=====	=====	=====	=====	=====

*U.S. sales were \$76,517 and \$78,137 for the three months of fiscal 1997 and fiscal 1996, respectively; and \$297,308 and \$274,270 for the twelve months of fiscal 1997 and fiscal 1996, respectively. The percentage decrease in U.S. sales was 2.0% for the three months and an increase of 8.4% for the twelve months.

CULP, INC. FINANCIAL INFORMATION RELEASE
INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THREE MONTHS AND TWELVE MONTHS ENDED APRIL 27, 1997 AND APRIL 28, 1996

(Amounts in thousands)

Geographic Area	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
	April 27, 1997	April 28, 1996	%Over (Under)	1997	1996
North America (Excluding USA)\$	6,924	6,421	7.8 %	23.7 %	26.7 %
Europe	7,672	5,774	32.9 %	26.3 %	24.0 %
Middle East	9,769	5,997	62.9 %	33.5 %	25.0 %
Far East & Asia	3,753	4,114	(8.8)%	12.9 %	17.1 %
South America	140	621	(77.4)%	0.5 %	2.6 %
All other areas	903	1,098	(17.7)%	3.1 %	4.6 %
	\$ 29,161	24,025	21.4 %	100.0 %	100.0%

Geographic Area	TWELVE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
	April 27, 1997	April 28, 1996	%Over (Under)	1997	1996
North America (Excluding USA)\$	27,479	23,528	16.8 %	27.1 %	30.4 %
Europe	25,245	18,927	33.4 %	24.9 %	24.5 %
Middle East	23,505	15,609	50.6 %	23.1 %	20.2 %
Far East & Asia	19,646	12,124	62.0 %	19.3 %	15.7 %
South America	2,604	2,753	(5.4)%	2.6 %	3.6 %
All other areas	3,092	4,456	(30.6)%	3.0 %	5.8 %
	\$ 101,571	77,397	31.2 %	100.0 %	100.0%

International sales, and the percentage of total sales, for each of the last seven fiscal years follows: fiscal 1991-\$ 20,295 (12%); fiscal 1992-\$ 34,094 (18%); fiscal 1993-\$ 40,729 (20%); fiscal 1994-\$ 44,038 (18%); fiscal 1995-\$ 57,971 (19%); fiscal 1996-\$ 77,397 (22%); and fiscal 1997-\$ 101,571 (25%).

Certain amounts for fiscal year 1996 have been reclassified to conform with the fiscal year 1997 presentation.

Culp, Inc.
 SALES BY BUSINESS UNIT - TREND ANALYSIS
 1995 vs 1996 vs 1997

(Amounts in thousands)

Product Category/Business Unit	Fiscal 1995					Fiscal 1996				
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL

Upholstery Fabrics										
Culp Textures	19,613	22,834	20,940	21,738	85,125	17,584	22,715	20,685	23,400	84,384
Rossville/Chromatex	15,140	15,758	16,397	16,476	63,765	15,358	17,960	18,567	22,318	74,203
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	34,753	38,592	37,337	38,208	148,890	32,942	40,675	39,252	45,718	158,587
Velvets/Prints	20,644	26,439	28,307	31,413	106,803	23,523	32,081	31,836	38,261	125,701
	55,397	65,031	65,644	69,621	255,693	56,465	72,756	71,088	83,979	284,288
Mattress Ticking										
Culp Home Fashions	10,952	13,414	12,147	15,820	52,333	15,892	17,916	15,388	18,183	67,379
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	66,349	78,445	77,791	85,441	308,026	72,357	90,672	86,476	102,162	351,667
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

Percent increase(decrease)from prior year:

Product Category/Business Units	-----									
Upholstery Fabrics										
Culp Textures	12.4	13.8	6.4	2.9	8.7	(10.3)	(0.5)	(1.2)	7.6	(0.9)
Rossville/Chromatex	100.0	100.0	14.4	(1.5)	105.4	1.4	14.0	13.2	35.5	16.4
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	99.2	92.3	9.8	1.0	36.1	(5.2)	5.4	5.1	19.7	6.5
Velvets/Prints	(1.2)	7.8	19.4	12.5	10.1	13.9	21.3	12.5	21.8	17.7
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	44.5	45.8	13.7	5.9	23.9	1.9	11.9	8.3	20.6	11.2
Mattress Ticking										
Culp Home Fashions	32.7	42.8	27.4	37.9	35.4	45.1	33.6	26.7	14.9	28.8
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	42.4	45.3	15.7	10.6	25.7	9.1	15.6	11.2	19.6	14.2
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Overall Growth Rate										
Internal (without acquisitions)	9.9	16.1	15.7	8.8	12.5	6.4	13.0	8.7	19.6	12.3
External	32.5	29.2	-	1.8	13.2	2.7	2.6	2.5	-	1.9
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	42.4	45.3	15.7	10.6	25.7	9.1	15.6	11.2	19.6	14.2
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

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Culp, Inc.
 SALES BY BUSINESS UNIT - TREND ANALYSIS (CONTINUED)
 1995 vs 1996 vs 1997

(Amounts in thousands)

Product Category/Business Unit	Fiscal 1997				TOTAL
	Q1	Q2	Q3	Q4	
Upholstery Fabrics					
Culp Textures	20,801	24,001	20,389	23,027	88,218
Rossville/Chromatex	18,165	21,722	18,953	20,672	79,512
	38,966	45,723	39,342	43,699	167,730
Velvets/Prints	34,867	40,233	40,387	40,980	156,467
	73,833	85,956	79,729	84,679	324,197
Mattress Ticking					
Culp Home Fashions	16,696	19,248	17,739	20,999	74,682
	90,529	105,204	97,468	105,678	398,879
Percent increase(decrease) fro Product Category/Business Unit					
Upholstery Fabrics					
Culp Textures	18.3	5.7	(1.4)	(1.6)	4.5
Rossville/Chromatex	18.3	20.9	2.1	(7.4)	7.2
	18.3	12.4	0.2	(4.4)	5.8
Velvets/Prints	48.2	25.4	26.9	7.1	24.5
	30.8	18.1	12.2	0.8	14.0
Mattress Ticking					
Culp Home Fashions	5.1	7.4	15.3	15.5	10.8
	25.1	16.0	12.7	3.4	13.4
Overall Growth Rate					
Internal (without acquisitions)	25.1	16.0	12.7	3.4	13.4
External	25.1	16.0	12.7	3.4	13.4

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE

for the three and twelve month periods ended April 27, 1997 and April 28, 1996

INCOME STATEMENT COMMENTS

GENERAL - Net sales increased 3.4% to \$105.7 million and net income increased 19.5% to \$4.8 million for the fourth quarter, as compared with the fourth quarter of last year. This performance marks the eighteenth consecutive quarter of record earnings and the sixteenth consecutive quarter of record sales (based on comparable year-earlier periods). The company's net profit margin increased to 4.6% from 4.0% for the quarter. For the twelve months, sales increased 13.4% to \$398.9 million and net income increased 25.4% to \$13.8 million. The company's net profit margin increased to 3.5% from 3.1% for the twelve months. Also, the company achieved a return on average shareholder's equity of 15.2% for the latest twelve months. For the last five years, the company has achieved a compound annual growth rate in net income and net sales of 36% and 16% respectively.

The company attributes this consistent record to several key competitive strengths:

Diverse Global Customer Base - penetrating other end-use markets in addition to U. S. residential furniture, such as bedding, international, commercial furniture and juvenile furniture; sales to these other markets accounted for approximately 50% of net sales during the fourth quarter; additionally, no one customer accounted for more than 7% of sales during fiscal 1997;

Design Innovation - investing in the creative aspect of our business - the company has significantly increased the resources (both designers and computer-aided design (CAD) systems) dedicated to the design and product development areas in each business unit; the company's in-house design staff now includes over 50 people. Additionally, the company is building a state-of-the-art design center in Burlington, North Carolina that will bring together most of its design resources in one location;

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

Ability to Integrate Acquisitions - investing in selective, accretive acquisitions in businesses which we know and understand and that strengthen existing marketing positions.

NET SALES - Compared with the fourth quarter of last year, upholstery fabric sales increased 0.8% to \$84.7 million and mattress ticking sales increased 15.5% to \$21.0 million for the quarter (See Sales by Business Unit schedule on Page 5 and Sales by Business Unit - Trend Analysis on Page 7). The growth in upholstery fabric sales for the fourth quarter reflects the following changes: Velvets/Prints - up 7.1%; Rossville/Chromatex - down 7.4%; and Culp Textures down 1.6%. Within the Velvets/Prints business unit, sales of the company's wet printed flock product line increased 59.8% versus the fourth quarter of last year. Sales of printed jacquards increased 31.3% versus the same quarter of last year. The company's sales to U.S. customers declined in the fourth quarter by 2.0 % and increased for the full year by 8.4%.

International sales were up 21.4% for the quarter and 31.2% for the year, with strength in all major regions. (See International Sales by Geographic Area schedule on page 6.) All business units reported gains in international sales for the year and all business units except Rossville/Chromatex reported gains in international sales for the quarter. The company has shipped products to over 50 countries during fiscal 1997. We are encouraged by the geographical balance of our international customer base. The vast majority of international sales are denominated in U.S. dollars.

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GROSS PROFIT - Gross profit increased of 5.7% for the quarter and 15.9% for the year versus the same periods of last year. The full year gain reflects significant increases for the Velvets/Prints and Culp Home Fashions business units, and slight increases for Rossville/Chromatex and Culp Textures. The fourth quarter results reflect a very strong gain in Culp Home Fashions and moderately lower results in the three upholstery fabric business units. The overall gross profit margin increased to 19.2% for the quarter from 18.8% in the same quarter of last year.

S,G&A EXPENSES - S,G&A expenses were flat as a percentage of sales at 11.1% for the fourth quarter and increased slightly to 11.3 % for the year from 11.1 % for the prior year. The increase in absolute dollars is principally due to higher sales commissions related to international sales and investments in additional design resources.

INTEREST EXPENSE - The decrease for the quarter of 24.6% is primarily due to lower average borrowings outstanding, which resulted from the company's secondary stock offering that was completed early in the fourth quarter of this year. INTEREST INCOME - Interest income is at the same level as last year's fourth quarter.

OTHER EXPENSE (INCOME), NET - In the fourth quarter, other expense (income) increased to \$404,000 from \$365,000 in the same quarter of last year.

INCOME TAXES - The effective tax rate for the year was 36.0% compared with 36.5% for fiscal 1996, due to the lower tax rate related to Canadian income and tax benefits related to international sales.

EBITDA - EBITDA for the quarter increased 7.1% from last year's fourth quarter to \$11.6 million, and represented 11.0% of net sales compared with 10.6% of net sales last year. For the year, EBITDA increased 10.7% from last year to \$39.4 million, and represented 9.9% of net sales versus 10.1% last year.

BALANCE SHEET COMMENTS

WORKING CAPITAL - Accounts receivable increased 8.9% from April 1996, while sales increased 3.4% for the fourth quarter. Day's sales outstanding represented 49 days, up from 46 at April 1996. Accounts receivable increased at a faster rate than sales because of the increasing mix of international sales, which carry longer payment terms than U.S. sales. The aging of accounts receivable at April 1997 was 99.1% current and less than 30 days past due. Inventories increased 12.8% from April 1996 and inventory turns were 6.6 versus 6.8 for last year's fourth quarter.

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PROPERTY, PLANT AND EQUIPMENT - The company has maintained a significant program of capital expenditures designed to expand capacity to support sales growth, increase vertical integration to lower product costs and control more of its supply of raw materials, and enhance manufacturing efficiencies through modernization. For fiscal 1997, the company's capital spending was \$27.0 million. Major projects include the following:

Expansion Projects - (\$11.0 million or 40 % of the total)

a) printing expansion for the wet printed flock product line in the Velvets/Prints business unit; this project includes the purchase of a facility in Lumberton, North Carolina and the installation of new printing and finishing equipment (\$8.9 million is the total project, of which \$ 6.0 was spent in fiscal 1997).

b) Weaving expansions for the dobby and jacquard product lines in the Rossville/ Chromatex business unit (\$2.3 million); and

c) other projects (\$2.7 million)

Vertical Integration - (\$ 13.0 million or 48 % of the total)

a) weaving expansion for jacquard greige goods (narrow and wide-width) at the company's Rayonese facility in Canada, which is part of Culp Home Fashions business unit (\$5.1 million);

b) installation of the company's first flock coating line, which will produce the unprinted flocked greige goods for the wet printed flock product line (\$4.0 million);

c) expansion of yarn extrusion capacity; during the third quarter, the company began an \$8.0 million project to approximately double its polypropylene yarn extrusion capacity over the next two years. About 20% of the capacity is expected to be operational by June 1997, another 40% throughout fiscal 1998, and the balance in early fiscal 1999 (\$1.7 million in fiscal 1997; \$3.2 million in fiscal 1998; and \$3.1 million in fiscal 1999);

d) various other projects (\$2.2 million).

Modernization (\$3.0 million or 12% of the total)

The company is currently planning capital spending of approximately \$30 million during fiscal 1998, which includes about \$ 8.7 million for expansion projects (29%); \$12.7 million for vertical integration projects (42 %); and \$8.6 million for modernization projects (29%). The key vertical integration projects include the yarn extrusion expansion, a second flock coating line and additional weaving capacity for jacquard greige goods at Rayonese.

Depreciation expense for fiscal 1998 is estimated at approximately \$15.6 million.

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LONG-TERM DEBT - The company's funded debt-to-capital ratio was 37.2% at April 27, 1997, down from 48.5% at April 1996. Funded debt was \$65.6 million at April 27, 1997, compared with \$76.8 million last year end. (Funded debt equals long-term debt, including current maturities, less restricted investments, which represent unspent IRB funds).

During the fourth quarter, the company completed the refinancing of its \$65 million term loan and revolving line of credit with a syndicated, five-year \$125 million unsecured, multi-currency credit facility. Terms of the new facility include reduced interest costs, less restrictive financial covenants and significant additional borrowing capacity.

SECONDARY STOCK OFFERING - On February 4, 1997, the company completed the sale of 1,200,000 shares of newly issued common stock, and 640,000 shares of common stock from certain non-management shareholders for \$15.00 per share. Proceeds from the offering, net of underwriter's commission and company issuance expenses, were approximately \$16.3 million. The key reasons for the offering were to fund the company's growth initiatives, reduce long term debt, provide the financial basis for possible acquisitions, and to a lesser extent, enhance trading liquidity of its common stock by increasing the "float".

PHILLIPS ACQUISITION -- On May 1, 1997, the company announced that it has signed a Letter of Intent to acquire the business and certain assets relating to the upholstery fabric business operating as Philips Weaving Mills, Phillips Velvets Mills, Phillips Printing and Phillips Mills. Closing of the transaction, which is subject to completion of a definitive asset purchase agreement and certain other conditions, is set forth in the Letter of Intent. The proposed transaction is disclosed in more detail in the company's Form 8-K filing, dated May 1, 1997.