

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) February 14, 2000

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.)
---	----------------------------------	--

101 South Main Street
High Point, North Carolina 27260
(Address of principal executive offices)
(336) 889-5161
(Registrant's telephone number, including area code)

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

Item 5. Other Events

See attached Press Release (3 pages) and Financial Information Release (10 pages), both dated February 14, 2000, related to the fiscal 2000 third quarter ended January 30, 2000.

Forward Looking Information. This Report contains statements that could be deemed "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Such statements are inherently subject to risks and uncertainties. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often characterized by qualifying words such as "expect," "believe," "estimate," "plan and "project" and their derivatives. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the Company's business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the Company adversely. Because of the significant percentage of the Company's sales derived from international shipments, strengthening of the U. S. dollar against other currencies could make the Company's products less competitive on the basis of price in markets outside the United States. Additionally, economic and political instability in international areas could affect the demand for the Company's products.

SIGNATURE

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

CULP, INC.
(Registrant)

By: Phillip W. Wilson
Vice President and
Chief Financial Officer

Dated: February 14, 2000

CULP REPORTS HIGHER THIRD QUARTER SALES AND EARNINGS PER SHARE

NINE-MONTH GAINS UNDERSCORE IMPROVED PROFITABILITY

HIGH POINT, N. C. (Feb. 14, 2000) - Culp, Inc. (NYSE: CFI) today reported increased sales and earnings per share for the third quarter and first nine months of its 2000 fiscal year.

For the three months ended January 30, 2000, Culp reported net sales \$113.2 million, up from \$112.1 million a year ago. The company reported net income for the quarter of \$1.4 million, or \$0.13 per share diluted, compared with \$1.5 million, or \$0.12 per share diluted, in the year-earlier period.

Net sales for the first nine months of fiscal 2000 totaled \$358.7 million, up from \$350.9 million a year ago. The company reported net income for the first nine months of \$6.2 million, or \$0.52 per share diluted, compared with net income of \$206,000, or \$0.02 per share diluted, in the year-earlier period.

Robert G. Culp, III, chief executive officer, commented, "As we enter the fourth fiscal quarter, the trends in our business are not as strong as anticipated; but results for the nine months affirm our expectation that fiscal 2000 as a whole is going to represent a year of solid improvement for Culp. The third fiscal quarter is historically not the strongest period of the year for our business due to seasonal factors. We did achieve higher sales, and the gain in earnings per share for the three months highlights the benefit of our ongoing stock repurchase program. Our business during the quarter underscores how the lead times are continuing to shorten for furniture manufacturers to order materials, including our fabrics and mattress ticking. We believe that this structural change in the industry's supply chain is fundamentally playing to Culp's strengths, but it is more difficult for us to forecast sales on a short-term basis.

"Economic conditions appear to be favoring a relatively high level of consumer demand for home furnishings. Reports from furniture retailers generally support that the industry environment is positive. Our challenge is to capitalize on the product breadth, proven manufacturing resources and demonstrated commitment to customer service that comprise the hallmark of Culp. A key element that links each of these components is a comprehensive design program to assure our customers that their products will successfully meet consumer demand. We have the benefit of a fully integrated manufacturing process including state-of-the-art yarn manufacturing capability and are excited about the opportunity to use the design process as a means of building even stronger working relationships with customers."

Culp added, "We have the competitive advantage of access to sufficient capital to continue modernizing and expanding our physical assets while broadening our use of information technology in all aspects of our operations. Capital expenditures are expected to total approximately \$23 million for fiscal 2000, up from \$10.7 million in fiscal 1999. We have also invested \$6.6 million through the first nine months to repurchase more of our shares. We currently have remaining authorization from the Board of Directors to invest an additional \$7.9 million in this program."

Culp, Inc. is one of the world's largest marketers of upholstery fabrics for furniture and is a leading marketer 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
(Unaudited)

	Three Months Ended	
	January 30, 2000	January 31, 1999
Net sales	\$ 113,181,000	\$ 112,093,000
Net income	\$ 1,432,000	\$ 1,539,000
Net income per share:		
Basic	\$ 0.13	\$ 0.12
Diluted	\$ 0.13	\$ 0.12
Average shares outstanding:		
Basic	11,296,000	12,995,000
Diluted	11,389,000	13,124,000

	Nine Months Ended	
	January 30, 2000	January 31, 1999
Net sales	\$ 358,660,000	\$ 350,919,000
Net income	\$ 6,189,000	\$ 206,000
Net income per share:		
Basic	\$ 0.53	\$ 0.02
Diluted	\$ 0.52	\$ 0.02
Average shares outstanding:		
Basic	11,703,000	12,997,000
Diluted	11,816,000	13,171,000

This release contains statements that could be deemed "forward-looking statements" within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Such statements are inherently subject to risks and uncertainties. Forward-looking statements are statements that include projections, expectations or beliefs about future events or results or otherwise are not statements of historical fact. Such statements are often characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives. Factors that could influence the matters discussed in such statements include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income and general economic conditions. Decreases in these economic indicators could have a negative effect on the company's business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could affect the company adversely. Because of the significant percentage of the company's sales derived from international shipments, strengthening of the U.S. dollar against other currencies could make the company's products less competitive on the basis of price in markets outside the United States. Additionally, economic and political instability in international areas could affect the demand for the company's products.

- END -

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 30, 2000 AND JANUARY 31, 1999

(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Sales	
	January 30, 2000	January 31, 1999	% Over (Under)	2000	1999
Net sales	\$ 113,181	112,093	1.0 %	100.0 %	100.0 %
Cost of sales	94,712	92,911	1.9 %	83.7 %	82.9 %
Gross profit	18,469	19,182	(3.7)%	16.3 %	17.1 %
Selling, general and administrative expenses	13,949	14,100	(1.1)%	12.3 %	12.6 %
Income from operations	4,520	5,082	(11.1)%	4.0 %	4.5 %
Interest expense	2,366	2,308	2.5 %	2.1 %	2.1 %
Interest income	(8)	(10)	(20.0)%	(0.0)%	(0.0)%
Other expense (income), net	229	492	(53.5)%	0.2 %	0.4 %
Income before income taxes	1,933	2,292	(15.7)%	1.7 %	2.0 %
Income taxes *	501	753	(33.5)%	25.9 %	32.9 %
Net income	\$ 1,432	1,539	(7.0)%	1.3 %	1.4 %
Net income per share	\$0.13	\$0.12	8.3 %		
Net income per share, assuming dilution	\$0.13	\$0.12	8.3 %		
Dividends per share	\$0.035	\$0.035	0.0 %		
Average shares outstanding	11,296	12,995	(13.1)%		
Average shares outstanding, assuming dilution	11,389	13,124	(13.2)%		

	NINE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Sales	
	January 30, 2000	January 31, 1999	% Over (Under)	2000	1999
Net sales	\$ 358,660	350,919	2.2 %	100.0 %	100.0 %
Cost of sales	296,072	297,652	(0.5)%	82.5 %	84.8 %
Gross profit	62,588	53,267	17.5 %	17.5 %	15.2 %
Selling, general and administrative expenses	45,022	44,047	2.2 %	12.6 %	12.6 %
Income from operations	17,566	9,220	90.5 %	4.9 %	2.6 %
Interest expense	7,266	7,133	1.9 %	2.0 %	2.0 %
Interest income	(41)	(82)	(50.0)%	(0.0)%	(0.0)%
Other expense (income), net	1,200	1,866	(35.7)%	0.3 %	0.5 %
Income before income taxes	9,141	303	2,916.8 %	2.5 %	0.1 %
Income taxes *	2,952	97	2,943.3 %	32.3 %	32.0 %
Net income	\$ 6,189	206	2,904.4 %	1.7 %	0.1 %
Net income per share	\$0.53	\$0.02	2,550.0 %		
Net income per share, assuming dilution	\$0.52	\$0.02	2,500.0 %		
Dividends per share	\$0.105	\$0.105	0.0 %		
Average shares outstanding	11,703	12,997	(10.0)%		
Average shares outstanding, assuming dilution	11,816	13,171	(10.3)%		

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

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
JANUARY 30, 2000, JANUARY 31, 1999 AND MAY 2, 1999
Unaudited
(Amounts in Thousands)

	Amounts		Increase (Decrease)		* May 2, 1999
	January 30, 2000	January 31, 1999	Dollars	Percent	
Current assets					
Cash and cash investments	\$ 568	655	(87)	(13.3)%	509
Accounts receivable	65,788	63,090	2,698	4.3 %	70,503
Inventories	80,874	69,210	11,664	16.9 %	67,070
Other current assets	9,016	7,560	1,456	19.3 %	9,633
Total current assets	156,246	140,515	15,731	11.2 %	147,715
Restricted investments	1,047	3,416	(2,369)	(69.4)%	3,340
Property, plant & equipment, net	123,303	125,885	(2,582)	(2.1)%	123,310
Goodwill	50,222	51,615	(1,393)	(2.7)%	51,269
Other assets	5,388	5,017	371	7.4 %	4,978
Total assets	\$ 336,206	326,448	9,758	3.0 %	330,612
Current liabilities					
Current maturities of long-term debt \$	1,678	1,678	0	0.0 %	1,678
Accounts payable	35,347	25,808	9,539	37.0 %	25,687
Accrued expenses	20,878	17,317	3,561	20.6 %	21,026
Income taxes payable	903	0	903	100.0 %	0
Total current liabilities	58,806	44,803	14,003	31.3 %	48,391
Long-term debt	137,052	140,210	(3,158)	(2.3)%	140,312
Deferred income taxes	14,583	11,227	3,356	29.9 %	14,583
Total liabilities	210,441	196,240	14,201	7.2 %	203,286
Shareholders' equity	125,765	130,208	(4,443)	(3.4)%	127,326
Total liabilities and shareholders' equity	\$ 336,206	326,448	9,758	3.0 %	330,612
Shares outstanding	11,216	12,995	(1,779)	(13.7)%	12,079

* Derived from audited financial statements.

CULP, INC. FINANCIAL
INFORMATION RELEASE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 30, 2000 AND JANUARY 31, 1999
Unaudited
(Amounts in Thousands)

	NINE MONTHS ENDED	
	Amounts	
	January 30, 2000	January 31, 1999
Cash flows from operating activities:		
Net income	\$ 6,189	206
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	14,481	13,785
Amortization of intangible assets	1,197	1,174
Changes in assets and liabilities:		
Accounts receivable	4,715	10,546
Inventories	(13,804)	9,984
Other current assets	617	303
Other assets	(560)	(95)
Accounts payable	4,619	(8,609)
Accrued expenses	(148)	(973)
Income taxes payable	903	(1,282)
Net cash provided by operating activities	18,209	25,039
Cash flows from investing activities:		
Capital expenditures	(14,474)	(8,500)
Purchases of restricted investments	(35)	(73)
Purchase of investments to fund deferred compensation liability	0	(735)
Sale of restricted investments	2,328	678
Net cash used in investing activities	(12,181)	(8,630)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	8,510	2,535
Principal payments on long-term debt	(11,770)	(16,284)
Change in accounts payable-capital expenditures	5,041	(2,800)
Dividends paid	(1,218)	(1,365)
Payments to acquire common stock	(6,552)	(160)
Proceeds from common stock issued	20	8
Net cash used in financing activities	(5,969)	(18,066)
Increase (decrease) in cash and cash investments	59	(1,657)
Cash and cash investments at beginning of period	509	2,312
Cash and cash investments at end of period	\$ 568	655

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL ANALYSIS
JANUARY 30, 2000

	FISCAL 99	FISCAL 00				LTM
	Q3	Q1	Q2	Q3	Q4	
INVENTORIES						
Inventory turns	5.2	5.4	5.5	4.8		
RECEIVABLES						
Days sales in receivables	47	45	49	49		
Percent current & less than 30 days past due	94.1%	93.2%	96.7%	97.1%		
WORKING CAPITAL						
Current ratio	3.1	3.1	2.4	2.7		
Working capital turnover (4)	4.4	4.4	4.4	4.5		
Operating working capital (4)	\$106,492	\$111,222	\$109,556	\$111,315		
PROPERTY, PLANT & EQUIPMENT						
Depreciation rate	7.9%	8.0%	7.8%	8.2%		
Percent property, plant & equipment are depreciated	46.1%	49.0%	49.1%	49.4%		
Capital expenditures	\$10,689 (1)	\$2,420	\$8,104	\$3,950		
PROFITABILITY						
Return on average total capital	4.5%	4.8%	7.3%	4.9%		5.9%
Return on average equity	4.7%	5.0%	10.0%	4.6%		7.1%
Net income per share	\$0.12	\$0.13	\$0.27	\$0.13		\$0.76
Net income per share (diluted)	\$0.12	\$0.13	\$0.27	\$0.13		\$0.75
LEVERAGE (3)						
Total liabilities/equity	150.7%	155.9%	170.1%	167.3%		
Funded debt/equity	106.3%	106.3%	107.2%	109.5%		
Funded debt/capital employed	51.5%	51.5%	51.7%	52.3%		
Funded debt	\$138,472	\$136,222	\$134,468	\$137,683		
Funded debt/EBITDA (LTM) (6)	3.91	3.33	3.08	3.15		
EBITDA/Interest expense, net (LTM)	3.9	4.3	4.6	4.5		
OTHER						
Book value per share	\$10.02	\$10.64	\$11.08	\$11.21		
Employees at quarter end	3,949	4,050	3,962	3,938		
Sales per employee (annualized)	\$113,000	\$116,000	\$129,000	\$115,000		
Capital employed (3)	\$268,680	\$264,349	\$259,848	\$263,448		
Effective income tax rate	32.9%	34.0%	34.0%	25.9%		
EBITDA (2)	\$9,522	\$9,977	\$12,412	\$9,655		\$43,578
EBITDA/net sales	8.5%	8.6%	9.6%	8.5%		8.9%

(1) Expenditures for entire year

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

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

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

(5) LTM represents "Latest Twelve Months"

(6) EBITDA includes capitalized interest and pro forma amounts for acquisitions.

CULP, INC. FINANCIAL INFORMATION RELEASE
 SALES BY SEGMENT/DIVISION
 FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 30, 2000 AND JANUARY 31, 1999

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)					
Segment/Division	Amounts			Percent of Total Sales	
	January 30, 2000	January 31, 1999	% Over (Under)	2000	1999
Upholstery Fabrics					
Culp Decorative Fabrics	\$ 49,654	50,520	(1.7)%	43.9 %	45.1 %
Culp Velvets/Prints	34,050	34,949	(2.6)%	30.1 %	31.2 %
Culp Yarn	4,274	4,088	4.5 %	3.8 %	3.6 %
	87,978	89,557	(1.8)%	77.7 %	79.9 %
Mattress Ticking					
Culp Home Fashions	25,203	22,536	11.8 %	22.3 %	20.1 %
	* \$ 113,181	112,093	1.0 %	100.0 %	100.0 %

NINE MONTHS ENDED (UNAUDITED)					
Segment/Division	Amounts			Percent of Total Sales	
	January 30, 2000	January 31, 1999	% Over (Under)	2000	1999
Upholstery Fabrics					
Culp Decorative Fabrics	\$ 157,067	161,538	(2.8)%	43.8 %	46.0 %
Culp Velvets/Prints	112,042	103,671	8.1 %	31.2 %	29.5 %
Culp Yarn	12,761	17,051	(25.2)%	3.6 %	4.9 %
	281,870	282,260	(0.1)%	78.6 %	80.4 %
Mattress Ticking					
Culp Home Fashions	76,790	68,659	11.8 %	21.4 %	19.6 %
	* \$ 358,660	350,919	2.2 %	100.0 %	100.0 %

* U.S. sales were \$86,359 and \$88,152 for the third quarter of fiscal 2000 and fiscal 1999, respectively; and \$275,699 and \$266,934 for the nine months of fiscal 2000 and fiscal 1999, respectively. The percentage decrease in U.S. sales was 2.0% for the third quarter and an increase of 3.3% for the nine months.

CULP, INC. FINANCIAL INFORMATION RELEASE
INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 30, 2000 AND JANUARY 31, 1999

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)					
Geographic Area	Amounts			Percent of Total Sales	
	January 30, 2000	January 31, 1999	% Over (Under)	2000	1999
North America (Excluding USA)	\$ 8,476	7,280	16.4 %	31.6 %	30.4 %
Europe	4,698	3,881	21.1 %	17.5 %	16.2 %
Middle East	8,140	6,711	21.3 %	30.3 %	28.0 %
Far East & Asia	4,422	4,993	(11.4)%	16.5 %	20.9 %
South America	523	555	(5.8)%	1.9 %	2.3 %
All other areas	563	521	8.1 %	2.1 %	2.2 %
	\$ 26,822	23,941	12.0 %	100.0 %	100.0 %

NINE MONTHS ENDED (UNAUDITED)					
Geographic Area	Amounts			Percent of Total Sales	
	January 30, 2000	January 31, 1999	% Over (Under)	2000	1999
North America (Excluding USA)	\$ 26,064	23,035	13.1 %	31.4 %	27.4 %
Europe	13,696	14,787	(7.4)%	16.5 %	17.6 %
Middle East	24,092	25,071	(3.9)%	29.0 %	29.9 %
Far East & Asia	14,088	15,296	(7.9)%	17.0 %	18.2 %
South America	1,773	2,793	(36.5)%	2.1 %	3.3 %
All other areas	3,248	3,003	8.2 %	3.9 %	3.6 %
	\$ 82,961	83,985	(1.2)%	100.0 %	100.0 %

International sales, and the percentage of total sales, for each of the last five fiscal years follows: fiscal 1995-\$57,971 (19%); fiscal 1996-\$77,397 (22%); fiscal 1997-\$101,571 (25%); fiscal 1998-\$137,223 (29%); and fiscal 1999-\$113,354 (23%). International sales for the third quarter represented 23.7% and 21.4% for 2000 and 1999, respectively. Year-to-date international sales represented 23.1% and 23.9% of total sales for 2000 and 1999, respectively.

Culp, Inc.
SALES BY SEGMENT/DIVISION - TREND ANALYSIS
1998 vs 1999 vs 2000
Unaudited
(Amounts in thousands)

Segment/Division	Fiscal 1998					Fiscal 1999				
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL

Upholstery Fabrics										
Culp Decorative Fabrics	39,814	56,781	53,415	60,155	210,165	51,445	59,573	50,520	60,520	222,058
Culp Velvets/Prints	38,397	43,928	44,020	45,044	171,389	29,994	38,728	34,949	40,402	144,073
Culp Yarn	-	-	761	7,115	7,876	6,596	6,367	4,088	4,462	21,513
	78,211	100,709	98,196	112,314	389,430	88,035	104,668	89,557	105,384	387,644

Mattress Ticking										
Culp Home Fashions	21,287	22,217	20,261	23,520	87,285	22,632	23,491	22,536	26,781	95,440
	99,498	122,926	118,457	135,834	476,715	110,667	128,159	112,093	132,165	483,084
=====										

Percent increase(decrease) from prior year:

Segment/Division										

Upholstery Fabrics										
Culp Decorative Fabrics	2.2	24.2	35.8	37.7	25.3	29.2	4.9	(5.4)	0.6	5.7
Culp Velvets/Prints	10.1	9.2	9.0	9.9	9.5	(21.9)	(11.8)	(20.6)	(10.3)	(15.9)
Culp Yarn	-	-	100.0	100.0	100.0	100.0	100.0	437.2	(37.3)	173.1
	5.9	17.2	23.2	32.6	20.1	12.6	3.9	(8.8)	(6.2)	(0.5)

Mattress Ticking										
Culp Home Fashions	27.5	15.4	14.2	12.0	16.9	6.3	5.7	11.2	13.9	9.3
	9.9	16.8	21.5	28.5	19.5	11.2	4.3	(5.4)	(2.7)	1.3
=====										
Overall Growth Rate										
Internal (without acquisitions)	9.9	6.6	9.2	11.6	9.3	(4.6)	(0.9)	(8.5)	(2.7)	(4.1)
External	-	10.2	12.3	16.9	10.2	15.8	5.2	3.1	-	5.4
	9.9	16.8	21.5	28.5	19.5	11.2	4.3	(5.4)	(2.7)	1.3
=====										

Culp, Inc.
SALES BY SEGMENT/DIVISION - TREND ANALYSIS
1998 vs 1999 vs 2000
Unaudited
(Amounts in thousands)

Segment/Division	Fiscal 2000				
	Q1	Q2	Q3	Q4	TOTAL
Upholstery Fabrics					
Culp Decorative Fabrics	50,516	56,897	49,654		157,067
Culp Velvets/Prints	36,209	41,783	34,050		112,042
Culp Yarn	4,129	4,358	4,274		12,761
	90,854	103,038	87,978		281,870
Mattress Ticking					
Culp Home Fashions	25,083	26,504	25,203		76,790
	115,937	129,542	113,181		358,660

Percent increase(decrease) from prior year:

Segment/Division				
Upholstery Fabrics				
Culp Decorative Fabrics	(1.8)	(4.5)	(1.7)	(2.8)
Culp Velvets/Prints	20.7	7.9	(2.6)	8.1
Culp Yarn	(37.4)	(31.6)	4.5	(25.2)
	3.2	(1.6)	(1.8)	(0.1)
Mattress Ticking				
Culp Home Fashions	10.8	12.8	11.8	11.8
	4.8	1.1	1.0	2.2
Overall Growth Rate				
Internal (without acquisitions)	4.8	1.1	1.0	2.2
External	-	-	-	-
	4.8	1.1	1.0	2.2

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE

for the three and nine month periods ended January 30, 2000 and January 31, 1999

INCOME STATEMENT COMMENTS

GENERAL - For the third quarter, net sales increased 1.0% to \$113.2 million; and net income amounted to \$1.4 million, or \$0.13 per share diluted (based on 11,389,000 average shares outstanding during the period), versus \$1.5 million, or \$0.12 per share diluted (based on 13,124,000 average shares outstanding during the period), a year ago. For the nine months ended January 30, 2000, net sales increased 2.2% to \$358.7 million; and net income amounted to \$6.2 million, or \$0.52 per share diluted (based on 11,816,000 average shares outstanding during the period), compared with net income of \$206,000, or \$0.02 per share diluted (based on 13,171,000 average shares outstanding during the period), in the year-earlier period.

The company's strategic plan encompasses several competitive initiatives:

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

Diverse Global Customer Base - increasing its penetration into other end-use markets in addition to U.S. residential furniture, such as bedding, international, commercial furniture and juvenile furniture. The company has long-standing relationships with most major upholstery furniture manufacturers, but is not reliant on a single customer or a small group of dominant customers. No one customer accounted for more than 9% of net sales during the third quarter of fiscal 2000;

Design Innovation - continuing to invest in resources for the design of upholstery fabrics and ticking with appealing patterns and textures. An integral component of the value Culp provides to customers is supplying fabrics that are fashionable and meet current consumer preferences. The company's principal design resources are consolidated in a single facility that provides advanced CAD systems and promotes a sharing of innovative designs among the divisions;

Vertical Integration - operating as a vertically integrated manufacturer and taking advantage of economies that can be gained by producing the raw material components that are used in the manufacture of its products; and

Additional Acquisitions - investing in selective acquisitions complementary to existing segments.

NET SALES - Compared with the third quarter of last year, upholstery fabric sales decreased 1.8% to \$88.0 million and mattress ticking sales increased 11.8% to \$25.2 million (See Sales by Segment/Division schedule on Page 5 and Sales by Segment/Division - Trend Analysis on Page 7). International sales increased 12.0% for the quarter.

During the first quarter of fiscal 1999, the company implemented a major reorganization from six business units to four divisions. This new corporate alignment grouped related operations together and was accompanied by several changes in managerial positions. The company believes that benefits of this move have included improved customer service, more effective use of design resources and increased manufacturing efficiency. Aided by these factors, the company achieved higher sales to U.S.-based accounts in the first half of fiscal 2000. Although sales to U.S.-based accounts decreased 2.0% for the third quarter of fiscal 2000, the company recorded a gain of 3.3% to these customers for the first nine months of the fiscal year. Weakness in international sales affected results in the first two quarters of fiscal 2000, but sales to customers outside the United States were up 12.0% for the third quarter. The company believes that this increase indicates that it has established a base of international sales from which to build. This follows an industry-wide trend of declining international sales of upholstery fabrics that began in fiscal 1999 after several years of above-average growth. During fiscal 1999, the company took steps to mitigate the impact of this industry-wide trend by significantly curtailing production schedules for certain international-targeted fabrics, introducing a new line of printed cotton upholstery fabrics and shifting its marketing focus to geographic areas where demand appears more favorable. The company has a diversified global base of customers and is seeking to broaden that further to minimize exposure to economic uncertainties in any geographic area.

The company benefited in the third quarter from increased sales by Culp Home Fashions (primarily mattress ticking) which has experienced a long-term pattern of expansion. Culp's growth in mattress ticking continues to be driven by the introduction of new designs and fabric constructions as well as the advantages of the company's vertical integration. In particular, the ability to manufacture the jacquard greige (or unfinished) goods that are then printed to produce mattress ticking has aided Culp in meeting faster delivery schedules and providing improved overall customer service.

The year-to-year comparisons in the company's income statement for the third quarter need to be considered within the context that the third fiscal quarter is not historically the strongest period of the year due to seasonal factors. Changes in shipments in such a quarter may not affect the absolute level of net sales significantly but can have a material effect on margins and other measures of profitability. The company does not believe that the decline in operating margins in the third quarter signals a structural change in its profitability.

GROSS PROFIT - Gross profit for the third quarter declined 3.7% to \$18.5 million and decreased as a percentage of net sales from 17.1% to 16.3%. Gross

profit for the nine months increased as a percentage of net sales from 15.2% to 17.5%. The company has taken a number of actions to increase gross profit, including a significant reduction in the capacity for manufacturing printed flock fabrics and an intense effort to reduce operating expenses and raise productivity.

S,G&A EXPENSES - As a percentage of sales, S,G&A expenses for the third quarter decreased to 12.3% from 12.6% for the year-earlier period and were unchanged through the first nine months. The increase in absolute dollars for the nine months principally reflects higher costs related to resources for the design of new fabrics and information systems, as well as other increased operating expenses intended to support a higher level of sales.

INTEREST EXPENSE - Interest expense of \$2.4 million for the third quarter was up from \$2.3 million a year ago even though the company had lower average borrowings outstanding. The lower level of borrowings was offset by lower capitalized interest related to capital expenditures and higher average interest rates.

OTHER EXPENSE (INCOME), NET - Other expense (income) totaled \$229,000 for the third quarter compared with \$492,000 a year ago. The decrease is principally due to higher investment income on assets related to the company's nonqualified deferred compensation plan.

INCOME TAXES - The effective tax rate for the nine months was 32.3% compared with 32.0% in the year-earlier period.

EBITDA - EBITDA for the third quarter totaled \$9.7 million compared with \$9.5 million a year ago.

BALANCE SHEET COMMENTS

WORKING CAPITAL - Accounts receivable as of January 30, 2000 increased 4.3% from the year-earlier level, due principally to changes in the mix of sales between U.S.-based and international customers. Days sales outstanding increased slightly to 49 days at January 30, 2000 compared with 47 a year ago. Additionally, the aging of accounts receivable was 97.1% current and less than 30 days past due versus 94.1% at the end of the third quarter a year ago. Inventories at the close of the third quarter increased \$11.7 million or 16.9% from a year ago, principally due to the decision to increase the company's ability to respond quickly to customers' orders. Inventory turns for the third quarter were 4.8 versus 5.2 for the third quarter of fiscal 1999. Operating working capital (comprised of accounts receivable, inventory and accounts payable) was \$111.3 million at January 30, 2000, up 4.5% from a year ago.

PROPERTY, PLANT AND EQUIPMENT - During fiscal 1999 the company reduced its capital spending to \$10.7 million compared with \$35.9 million in fiscal 1998 because of a focus on improving the results of the considerable investments made during fiscal 1997 and fiscal 1998. The company is committed to investing sufficient funds to modernize and expand its manufacturing resources and has invested a total of \$14.5 million through the first nine months of fiscal 2000. The company is budgeting total capital spending for fiscal 2000 of approximately \$23 million. Depreciation for fiscal 2000 is currently estimated to be approximately \$20 million.

LONG-TERM DEBT - The company's funded debt-to-capital ratio was 52.3% at January 30, 2000, compared with 51.5% at January 31, 1999 and 52.1% at May 2, 1999. Funded debt was \$137.7 million at January 30, 2000, compared with \$138.5 million at January 31, 1999 and \$138.7 million at May 2, 1999. Funded debt equals long-term debt, including current maturities, less restricted investments, which represent unspent IRB funds. The decrease in funded debt from May 2, 1999 resulted primarily from an operating cash flow of \$18.2 million and an increase in accounts payable related to capital expenditures of \$5.0 million, offset by capital expenditures of \$14.5 million, repurchases of common stock of \$6.6 million and dividends paid of \$1.2 million.

STOCK REPURCHASE

In separate authorizations in June 1998, March 1999, September 1999 and December 1999, the Board of Directors authorized the use of a total of \$20.0 million to repurchase the company's common stock. During fiscal 1999, the company repurchased 938,600 shares at an average price of \$5.90 per share under these authorizations. During the first nine months of fiscal 2000, the company invested \$6.6 million to repurchase 870,539 shares at an average price of \$7.53 per share.