

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) AUGUST 12, 1997

CULP, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NORTH CAROLINA

0-12781

56-1001967

(STATE OR OTHER JURISDICTION OF (COMMISSION FILE NO.) (IRS EMPLOYER IDENTIFICATION NO.)
INCORPORATION)

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)

ITEM 5. OTHER EVENTS

See press release (attached) dated August 12, 1997 related to the first quarter ended August 3, 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: August 12, 1997

FOR IMMEDIATE RELEASE

CULP REPORTS INCREASED FIRST QUARTER SALES AND EARNINGS

EARNINGS PER SHARE UP 15% ON 12% MORE SHARES

HIGH POINT, North Carolina (August 12, 1997) Culp, Inc. today reported higher net sales and earnings for the first quarter of its 1998 fiscal year.

For the three months ended August 3, 1997, Culp reported that net sales increased 9.9% to \$99.5 million compared with \$90.5 million a year ago. Net income for the quarter increased 29% to \$2.9 million compared with \$2.2 million. Earnings per share increased 15% to \$0.23 per share on 12.6 million average shares outstanding versus \$0.20 per share on 11.3 million average shares outstanding.

The increase of 12% in the average number of shares outstanding for the first quarter was due principally to the Company's secondary offering completed in February 1997.

"Fiscal 1998 has started on a constructive note with higher net sales and income compared with a year ago," said Robert G. Culp, III, chief executive officer. "Although we experienced some slowing in the growth in certain product categories, we were able to achieve an overall gain for the quarter. This marks the 19th consecutive quarter of record earnings versus the comparable year-earlier period."

Culp continued, "We had expected that fiscal 1998 would present a challenging period for us to sustain the rate of growth that Culp has achieved over the past several years. Business within the United States has not been as strong as a year ago, but we still achieved a 5.5% gain in sales to U.S.-based accounts. The key factor contributing to this expansion was the success of our Home Fashions business unit, which has established outstanding momentum as reflected by significantly higher shipments of mattress ticking. We had identified a sound opportunity to build Culp's competitive position in this area and are gratified with the positive response to the new designs and fabric constructions we have developed."

-MORE-

Culp added, "An important component of our growth strategy remains increasing Culp's international shipments. These rose 26% for the first quarter and accounted for 25% of net sales. Much of the incremental capacity we are adding this year is focused on product categories such as wet printed flocks that have proven especially popular internationally. Although the growth in sales of wet printed flocks has slowed this year, we have continued to record increased shipments in this product category. We are also committing more resources to develop patterns and textures specifically designed for these markets outside the United States.

"The gains in mattress ticking and international sales for the first quarter highlight the strength of Culp's broad array of products and markets. Our extensive manufacturing capabilities and increasing vertical integration have enhanced our ability to penetrate virtually every major end-market of the furniture and bedding industry. The acquisition of Phillips Mills earlier this month augments our competitive advantages. We have added efficient capacity in jacquards and have acquired a much stronger presence in casual living fabric styles which are popular on motion furniture. Culp remains intent on achieving sound progress through internal growth, but we continue to pursue opportunities such as Phillips Mills where we can use our strong capital position to benefit from the ongoing consolidation within the home furnishing industry."

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

CULP, INC.
CONDENSED FINANCIAL HIGHLIGHTS
(Unaudited)

	THREE MONTHS ENDED	
	AUGUST 3, 1997	JULY 28, 1996
	(14 weeks)	(13 weeks)
Net sales	\$ 99,498,000	\$ 90,529,000
Net income	\$ 2,850,000	\$ 2,210,000
Earnings per share	\$ 0.23	\$ 0.20
Average shares outstanding	12,631,000	11,297,000

-END-

CULP, INC. FINANCIAL INFORMATION RELEASE
 CONSOLIDATED INCOME STATEMENTS
 FOR THE THREE MONTHS ENDED AUGUST 3, 1997 AND JULY 28, 1996

(Amounts in Thousands, Except for Per Share Data)

	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Sales	
	August 3, 1997	July 28, 1996	% Over (Under)	1997	1996
Net sales	\$ 99,498	90,529	9.9%	100.0%	100.0%
Cost of sales	82,765	74,609	10.9%	83. %	82. %
Gross profit	16,733	15,920	5.1%	16. %	17. %
Selling, general and administrative expenses	10,916	10,864	0.5%	11. %	12. %
Income from operations	5,817	5,056	15.1%	5. %	5. %
Interest expense	1,280	1,182	8.3%	1. %	1. %
Interest income	(90)	(57)	**%	(0.%)	(0.%)
Other expense (income), net	242	395	(38.7%)	0.%	0.%
Income before income taxes	4,385	3,536	24.0%	4.%	3.%
Income taxes *	1,535	1,326	15.8%	35.%	37.%
Net income	\$ 2,850	2,210	29.0%	2.%	2.%
Average shares outstanding	12.631	11,297	12.0%		
Net income per share	\$0.23	\$0.20	15.0%		
Dividends per share	\$0.0350	\$0.0325	7.7%		

* 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
 AUGUST 3, 1997, JULY 28, 1996 AND APRIL 27, 1997

(Amounts in Thousands)

	Amounts		Increase		* April 27, 1997
	August 3, 1997	July 28, 1996	Dollars	(Decrease) Percent	
Current assets					
Cash and cash investments	\$ 1,843	1,709	134	7.8%	830
Accounts receivable	54,086	42,262	11,824	28.0%	56,691
Inventories	60,715	51,676	9,039	17.5%	53,463
Other current assets	6,126	3,911	2,215	56.6%	5,450
Total current assets	122,770	99,558	23,212	23.3%	116,434
Restricted investments	8,186	5,244	2,942	56.1%	11,018
Property, plant & equipment, net	97,128	78,292	18,836	24.1%	91,231
Goodwill	22,111	22,720	(609)	(2.7%)	22,262
Other assets	3,124	2,469	655	26.5%	3,007
Total assets	\$ 253,319	208,283	45,036	21.6%	243,952
Current liabilities					
Current maturities of long-term debt	\$ 100	7,100	(7,000)	(98.6%)	100
Accounts payable	20,154	24,233	(4,079)	(16.8%)	29,903
Accrued expenses	11,972	13,295	(1,323)	(10.0%)	15,074
Income taxes payable	1,575	1,295	280	21.6%	1,580
Total current liabilities	33,801	45,923	(12,122)	(26.4%)	46,657
Long-term debt	96,016	70,916	25,100	35.4%	76,541
Deferred income taxes	9,965	8,088	1,877	23.2%	9,965
Total liabilities	139,782	124,927	14,855	11.9%	133,163
Shareholders' equity	113,537	83,356	30,181	36.2%	110,789
Total liabilities and shareholders' equity	\$ 253,319	208,283	45,036	21.6%	243,952
Shares outstanding	12,650	11,303	1,347	11.9%	12,609

* Derived from audited financial statements.

CULP, INC. FINANCIAL INFORMATION RELEASE
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE THREE MONTHS ENDED AUGUST 3, 1997 AND JULY 28, 1996
 (Amounts in Thousands)

	THREE MONTHS ENDED	

	Amounts	
	August 3, 1997	July 28, 1996
	-----	-----
Cash flows from operating activities:		
Net income	\$ 2,850	2,210
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	3,256	3,144
Amortization of intangible assets	181	198
Provision for deferred income taxes		0
Changes in assets and liabilities:		
Accounts receivable	2,605	9,776
Inventories	(7,252)	(4,281)
Other current assets	(676)	280
Other assets	(147)	(76)
Accounts payable	(5,852)	131
Accrued expenses	(2,923)	731
Income taxes payable	(5)	1,098
	-----	-----
Net cash provided by (used in) operating activities	(7,963)	13,211
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(9,153)	(4,475)
Purchases of restricted investments	(8,590)	(53)
Purchase of investments to fund deferred compensation liability		0
Sale of restricted investments	11,422	59
	-----	-----
Net cash used in investing activities	(6,321)	(4,469)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	19,500	0
Principal payments on long-term debt	(25)	(4,025)
Change in accounts payable-capital expenditures	(3,897)	(3,206)
Cash dividends paid	(443)	(368)
Proceeds from common stock issued	162	68
	-----	-----
Net cash provided by (used in) financing activities	15,297	(7,531)
	-----	-----
	1,013	1,211
Cash and cash investments at beginning of period	830	498
	-----	-----
Cash and cash investments at end of period	\$ 1,843	1,709
	=====	=====

(Page 4 of 12)
 CULP, INC. FINANCIAL INFORMATION RELEASE
 FINANCIAL ANALYSIS
 AUGUST 3, 1997

	FISCAL 97	FISCAL 98					
	Q1	Q1	Q2	Q3	Q4	LTM	
INVENTORIES							
Inventory turns	6.0	5.8					
RECEIVABLES							
Days sales in receivables	43	50					
Percent current & less than 30 days past due	99.3%	95.0%					
WORKING CAPITAL							
Current ratio	2.2	3.6					
Working capital turnover	5.4	5.1					
Working capital	\$53,635	\$88,969					
Working capital as a % of sales (4)	14.8%	23.8%					
PROPERTY, PLANT & EQUIPMENT							
Depreciation rate	8.3%	7.1%					
Percent property, plant & equipment are depreciated	48.2%	46.8%					
Capital expenditures	\$23,958 (1)	\$9,153					
PROFITABILITY							
Net profit margin	2.4%	2.9%				3.5%	
Gross profit margin	17.6%	16.8%				18.0%	
Operating income margin	5.6%	5.8%				6.9%	
SG & A expenses/net sales	12.0%	11.0%				11.1%	
Return on average total capital	7.4%	7.6%				9.9%	
Return on average equity	10.7%	10.2%				14.9%	
Earnings per share	\$0.20	\$0.23				\$1.21	
LEVERAGE (3)							
Total liabilities/equity	143.6%	115.9%					
Funded debt/equity	87.3%	77.4%					
Funded debt/capital employed	46.6%	43.6%					
Funded debt	\$72,772	\$87,930					
Funded debt/EBITDA (LTM)	1.98	2.18					
EBITDA/Interest expense, net (LTM)							9.1
OTHER							
Book value per share	\$7.37	\$8.98					
Employees at quarter end	3,020	3,180					
Sales per employee (annualized)	\$120,000	\$125,000					
Capital employed (3)	\$156,128	\$201,467					
Effective income tax rate	37.5%	35.0%					
EBITDA (2)	\$8,003	\$9,012				\$40,413	
EBITDA/net sales	8.8%	9.1%				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 ENDED AUGUST 3, 1997 AND JULY 28, 1996

(AMOUNTS IN THOUSANDS)

Product Category/Business Unit	THREE MONTHS ENDED (UNAUDITED)				
	Amounts		% Over (Under)	Percent of Total Sales	
	AUGUST 3, 1997	July 28, 1996		1997	1996
Upholstery Fabrics					
Culp Textures	\$ 21,693	20,801	4.3%	21.8%	23.0%
Rossville/Chromatex	18,121	18,165	(0.2%)	18.2%	20.1%
	39,814	38,966	2.2%	40.0%	43.0%
Velvets/Prints	38,397	34,867	10.1%	38.6%	38.5%
	78,211	73,833	5.9%	78.6%	81.6%
Mattress Ticking					
Culp Home Fashions	21,287	16,696	27.5%	21.4%	18.4%
	* \$ 99,498	90,529	9.9%	100.0%	100.0%
	=====	=====	=====	=====	=====

*U.S. sales were \$74,407 and \$70,556 for the three months of fiscal 1998 and fiscal 1997, respectively;

The percentage increase in U.S. sales was 5.5 % for the three months.

CULP, INC. FINANCIAL INFORMATION RELEASE
INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THREE MONTHS ENDED AUGUST 3, 1997 AND JULY 28, 1996

(AMOUNTS IN THOUSANDS)

Geographic Area	THREE MONTHS ENDED (UNAUDITED)				
	Amounts			Percent of Total Sales	
	AUGUST 3, 1997	July 28, 1996	% Over (Under)	1997	1996
North America (Excluding USA)	\$ 7,044	6,056	16.3%	28.1%	30.3%
Europe	6,919	6,120	46.5%	27.6%	30.6%
Middle East	6,564	4,196	56.4%	26.2%	21.0%
Far East & Asia	3,524	2,627	(4.6%)	14.0%	13.2%
South America	339	431	(7.4%)	1.4%	2.2%
All other areas	701	543	(25.2%)	2.8%	2.7%
	\$ 25,091	19,973	25.6%	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%). Year-to-date international sales represented 25% and 22% of total sales for 1998 and 1997 respectively.

Certain amounts for fiscal year 1997 have been reclassified to conform with the fiscal year 1998 presentation.

CULP, INC.
SALES BY BUSINESS UNIT - TREND ANALYSIS
1996 VS 1997 VS 1998

(AMOUNTS IN THOUSANDS)

Product Category/ Business Units	Fiscal 1996					Fiscal 1997					FISCAL 1998			
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4
Upholstery Fabrics														
Culp Textures	17,584	22,715	20,685	23,400	84,384	20,801	24,001	20,389	23,027	88,218	21,693			
Rossville/Chromatex	15,358	17,960	18,567	22,318	74,203	18,165	21,722	18,953	20,672	79,512	18,121			
	32,942	40,675	39,252	45,718	158,587	38,966	45,723	39,342	43,699	167,730	39,814			
Velvets/Prints	23,523	32,081	31,836	38,261	125,701	34,867	40,233	40,387	40,980	156,467	38,397			
	56,465	72,756	71,088	83,979	284,288	73,833	85,956	79,729	84,679	324,197	78,211			
Mattress Ticking														
Culp Home Fashions	15,892	17,916	15,388	18,183	67,379	16,696	19,248	17,739	20,999	74,682	21,287			
	72,357	90,672	86,476	102,162	351,667	90,529	105,204	97,468	105,678	398,879	99,498			

Product Category/ Business Units	PERCENT INCREASE(DECREASE) FROM PRIOR YEAR:													
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4
Upholstery Fabrics														
Culp Textures	(10.3)	(0.5)	(1.2)	7.6	(0.9)	18.3	5.7	(1.4)	(1.6)	4.5	4.3			
Rossville/Chromatex	1.4	14.0	13.2	35.5	16.4	18.3	20.9	2.1	(7.4)	7.2	(0.2)			
	(5.2)	5.4	5.1	19.7	6.5	18.3	12.4	0.2	(4.4)	5.8	2.2			
Velvets/Prints	13.9	21.3	12.5	21.8	17.7	48.2	25.4	26.9	7.1	24.5	10.1			
	1.9	11.9	8.3	20.6	11.2	30.8	18.1	12.2	0.8	14.0	5.9			
Mattress Ticking														
Culp Home Fashions	45.1	33.6	26.7	14.9	28.8	5.1	7.4	15.3	15.5	10.8	27.5			
	9.1	15.6	11.2	19.6	14.2	25.1	16.0	12.7	3.4	13.4	9.9			
Overall Growth Rate														
Internal (without acquisitions)	6.4	13.0	8.7	19.6	12.3	25.1	16.0	12.7	3.4	13.4	9.9			
External	2.7	2.6	2.5	-	1.9	-	-	-	-	-	-			
	9.1	15.6	11.2	19.6	14.2	25.1	16.0	12.7	3.4	13.4	9.9			

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE
FOR THE THREE MONTH PERIODS ENDED AUGUST 3, 1997 AND JULY 28, 1996

INCOME STATEMENT COMMENTS

GENERAL - Net sales increased 9.9% to \$99.5 million and net income increased 29.0% to \$2.9 million for the first quarter, as compared with the first quarter of last year. This performance marks the nineteenth consecutive quarter of record earnings and the seventeenth consecutive quarter of record sales (based on comparable year-earlier periods). The company's net profit margin increased to 2.9% from 2.4% for the quarter. Also, the company achieved a return on average shareholder's equity of 10.2% for the first quarter. The first quarter included 14 weeks and the first quarter of last year included 13 weeks.

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

- (BULLET) 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 51% of net sales during the first quarter; additionally, no one customer accounted for more than 7% of sales during the first quarter of fiscal 1998;
- (BULLET) 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 North Carolina that will bring together most of its design resources in one facility;
- (BULLET) VERTICAL INTEGRATION - realizing additional manufacturing integration by producing various raw material components that are used in the manufacture of its products; and
- (BULLET) ABILITY TO INTEGRATE ACQUISITIONS - investing in selective, accretive acquisitions in complementary businesses which we know and understand, and that strengthen existing marketing positions.

NET SALES - Compared with the first quarter of last year, upholstery fabric sales increased 5.9% to \$78.2 million and mattress ticking sales increased 27.5% to \$21.3 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 first quarter reflects the following changes: Velvets/Prints - up 10.1%; Rossville/Chromatex - down 0.2%; and Culp Textures up 4.3%. The growth in demand in some product categories and to U.S. manufacturers of residential furniture as a group began slowing during the second half of fiscal 1997. That pattern has continued thus far into fiscal 1998. Business with U.S.-based customers increased 6% from a year ago while sales to customers outside the United States rose 26% for the quarter. The company has continued to benefit from increased international sales, but the strength in the U.S. dollar relative to other international currencies has affected demand somewhat. Sales of wet printed flock upholstery fabrics, which remain one of the company's growing product categories internationally, increased 14% from a year ago. The increased sales by Culp Home Fashions during the first quarter reflects a positive response to the new designs and fabric constructions, notably in printed jacquard ticking. The growth in Culp Home Fashions has been aided by the company's investment in additional capacity, particularly in manufacturing jacquard greige, or unfinished, goods that are then printed to produce mattress ticking.

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE
FOR THE THREE MONTH PERIODS ENDED AUGUST 3, 1997 AND JULY 28, 1996

International sales were up 25.6% for the quarter, with strength in all major regions, and accounted for 25% of net sales for the quarter. (See International Sales by Geographic Area schedule on page 6.) All business units reported gains in international sales for the quarter. The vast majority of international sales are denominated in U.S. dollars.

GROSS PROFIT - The gross profit increase of 5.1% for the quarter versus the same quarter of last year reflects a substantial gain in the Culp Home Fashions business unit, a slight increase in Rossville/Chromatex and lower results in Culp Textures and Velvets/Prints. The overall gross profit margin decreased to 16.8% for the quarter from 17.6% in the same quarter of last year. Factors which affected the company's profitability during the quarter included the slower growth in demand for certain fabric categories and from U.S. manufacturers of residential furniture as a group and start-up costs related to expansion projects. These factors were offset in part by the increased absorption of fixed costs as a result of the growth in sales as well as the benefit from the Company's ongoing capital investment in equipment designed to lower manufacturing costs and raise productivity.

S,G&A EXPENSES - S,G&A expenses for the quarter were down as a percentage of sales to 11.0% from 12.0% for the same period of last year. The slight increase in absolute dollars is principally due to higher sales commissions related to international sales and significant investments in additional design resources, which were offset by lower accruals for incentive-based compensation plans.

INTEREST EXPENSE - The increase for the quarter of 8.3% over the same quarter of last year is primarily due to higher average borrowings outstanding, which resulted from the company's capital expenditure and working capital investments that were made in the first quarter of this year.

INTEREST INCOME - Interest income increased for the quarter due to the higher level of unspent IRB borrowings which are reported as Restricted Investments on the balance sheet.

OTHER EXPENSE (INCOME), NET - In the first quarter, other expense (income) decreased to \$242,000 from \$395,000 in the same quarter of last year, due primarily to last year's first quarter including a non-recurring charge for certain fixed assets that amounted to \$ 150,000.

INCOME TAXES - The effective tax rate for the quarter was 35.0%, compared with 36.0% for fiscal 1997, due to the lower tax rate related to an estimated higher amount of Canadian income and tax benefits related to an estimated higher level of international sales.

EBITDA - EBITDA for the quarter increased 12.6% to \$9.0 million from last year's first quarter and represented 9.1% of net sales compared with 8.8% of net sales for the same period of last year.

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE
FOR THE THREE MONTH PERIODS ENDED AUGUST 3, 1997 AND JULY 28, 1996

BALANCE SHEET COMMENTS

WORKING CAPITAL - Accounts receivable increased 28.0% from July 28, 1996, while sales increased 9.9% for the first quarter. Days sales outstanding represented 50 days, up from 43 days at July 28, 1996 and 49 days at April 27, 1997. Accounts receivable increased at a faster rate than sales because of the increasing mix of international sales and mattress ticking sales, which carry longer payment terms than U.S. upholstery fabric sales. Additionally, the aging of accounts receivable was with 95.0% current and less than 30 days past due versus 99.3% at July 28, 1996. Inventories increased 17.5% from July 28, 1996, and inventory turns were 5.8 versus 6.0 for last year's first quarter. The inventory increase relates mostly to raw materials (up 21%) over the first quarter of last year, and is largely attributable to a build up of jacquard and flocked greige goods. Operating working capital (comprised of accounts receivable, inventory and accounts payable) increased significantly to \$94.6 million at August 3, 1997, for the reasons mentioned above, from \$69.7 million at July 28, 1996 and \$80.3 million at April 27, 1997.

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. The company is currently planning capital spending of approximately \$27 million during fiscal 1998, which includes about \$7.7 million for expansion projects (28%); \$10.7 million for vertical integration projects (40%); and \$8.6 million for modernization projects (32%). The principal expansion project includes the completion of the various items related to the Lumberton, N.C. printing facility. The key vertical integration projects include the yarn extrusion expansion and additional weaving capacity for jacquard greige goods at Rayonese. The modernization projects encompass a number of smaller projects throughout the company's operations. Depreciation expense for fiscal 1998 is estimated at approximately \$15.6 million.

LONG-TERM DEBT - The company's funded debt-to-capital ratio was 43.6% at August 3, 1997, down from 46.6% at July 28, 1996, and up from 37.2% at April 27, 1997. Funded debt was \$87.9 million at August 3, 1997, up from \$72.8 million at July 28, 1996 and up from \$65.6 million at April 1997. (Funded debt equals long-term debt, including current maturities, less restricted investments, which represent unspent IRB funds). The increase in funded debt from April 1997 resulted from capital expenditures of \$9.1 million, an operating cash flow deficit of \$8.0 million, and a decrease in accounts payable related to capital expenditures of \$3.9 million. The sources of financing used to close the Phillips acquisition are the company's revolving credit facility in the amount of \$31 million and the seller's non-compete of \$5 million (on a present value basis).

PHILLIPS ACQUISITION -- On August 5, 1997, the company completed the acquisition of the business and certain assets relating to the upholstery fabric businesses operating as Phillips Weaving Mills, Phillips Velvet Mills, Phillips Printing and Phillips Mills. These operating units were purchased from Phillips Industries, Inc., a privately-owned corporation also based in High Point, N.C. Based on the terms of the definitive asset purchase agreement, the transaction is valued for accounting and reporting purposes (under generally accepted accounting principles) at approximately \$36 million, which includes cash, seller debt retired, and a non-compete agreement. The consideration for the acquisition also included stock options and an agreement for contingent payments to the selling companies within the three years following closing that could range from \$0 to \$5,500,000, depending upon the future financial performance of certain of the businesses purchased. See attached schedule (page 11) containing supplemental information regarding the key financial terms of the acquisition.

TRANSACTION VALUE

a) Cash paid to (and on behalf of) selling companies on the closing date (8/5/97)	\$30,590,035
b) Non-compete agreement (the \$4.9 million represents the present value of 5 annual payments of \$1.2 million, which totals \$6.0 million, beginning one year from the closing date)	4,920,000 -----
TRANSACTION VALUE (this is the amount recorded on Culp's balance sheet on the closing date)	\$35,510,035 -----

OTHER CONSIDERATION AND LIABILITY ASSUMPTIONS

a) Present value discount of the non-compete agreement (\$6.0 million less \$4.92 million)	\$ 1,080,000
b) Contingent additional consideration of up to \$5.5 million to the selling companies, depending upon the financial performance of certain of the businesses purchased ;	5,500,000
c) Stock options in the amount of 100,000 shares were granted at \$17.75 per share, with a 6 year option term ; value estimated based upon the Black-Scholes stock option pricing methodology	700,000
d) Culp assumed specified contractual obligations of the selling companies, principally including real estate and equipment leases, certain factoring service-related commitments that could total up to approximately \$3.5 million over five years, and purchase orders for raw materials.	3,500,000

OTHER CONSIDERATION AND LIABILITY ASSUMPTIONS \$10,780,000

TRANSACTION VALUE PLUS OTHER CONSIDERATION AND LIABILITY ASSUMPTIONS \$46,290,035

