

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) December 1, 2016

**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))
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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, 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

On December 1, 2016, we issued a news release to announce our financial results for our second quarter and six months ended October 30, 2016. The news release is attached hereto as Exhibit 99(a).

Also on December 1, 2016, we released a Financial Information Release containing additional financial information and disclosures about our second quarter and six months ended October 30, 2016. 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, plus any proceeds from sales of equipment, plus excess tax benefits related to stock-based compensation, minus the purchase of long-term investments associated with our Rabbi Trust, 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 is 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 is 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 adjustments to valuation allowances for deferred tax assets, reductions in income taxes due to net operating loss (NOL) carryforwards, and 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 also note that, because the consolidated adjusted effective income tax rate used to calculate adjusted net income is based on annualized amounts and estimates, adjusted net income for any quarter or year-to-date period does not necessarily indicate results that could be expected for the full fiscal year. In addition, 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 net income, which is a non-GAAP performance measure that incorporates the consolidated adjusted effective income tax rate discussed in the preceding paragraph. Adjusted net income is calculated by multiplying the consolidated adjusted effective income tax rate by the amount of income before income taxes shown on our income statement. Because the consolidated adjusted effective income tax rate eliminates non-cash items that affect our GAAP income tax expense, adjusted net income is intended to demonstrate the amount of net income that would be generated by our operations if only the cash portions of our income tax expense are deducted from income before income taxes. As noted above, our consolidated income tax expense on a GAAP basis can vary widely over different reporting periods due to the effect of non-cash items, and we believe the calculation of adjusted net income is useful to investors because it eliminates these items and aids in the analysis of comparable financial periods by reflecting the amount of earnings available after the deduction of tax liabilities that are paid in cash. Adjusted net income should not be viewed in isolation by investors and should not be used as a substitute for net income calculated in accordance with GAAP. We also note that, because the consolidated adjusted effective income tax rate used to calculate adjusted net income is based on annualized amounts and estimates, adjusted net income for any quarter or year-to-date period does not necessarily indicate results that could be expected for the full fiscal year. In addition, the limitations on the usefulness of consolidated adjusted effective income tax rates described in the preceding paragraph also apply to the usefulness of adjusted net income, since consolidated adjusted effective income tax rates are used to calculate adjusted net income. Management uses adjusted net income to help it analyze the company's earnings and performance after taking certain tax matters into account when comparing comparable quarterly and year-to-date periods.

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 December 1, 2016

99(b) Financial Information Release dated December 1, 2016

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

**Dated: December 1, 2016**

**EXHIBIT INDEX**

Exhibit Number

Exhibit

99(a)

News Release dated December 1, 2016

99(b)

Financial Information Release dated December 1, 2016



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 SECOND QUARTER FISCAL 2017

### *Board of Directors Authorizes 14 Percent Increase in Quarterly Cash Dividend from \$0.07 to \$0.08 Per Share*

HIGH POINT, N.C. (December 1, 2016) — Culp, Inc. (NYSE: CFI) today reported financial and operating results for the second quarter and six months ended October 30, 2016.

#### **Fiscal 2017 Second Quarter Highlights**

- § Net sales were \$75.3 million, down 2.1 percent, with mattress fabric sales up 0.2 percent and upholstery fabric sales down 5.4 percent, as compared with the same quarter last year.
- § Pre-tax income was \$7.2 million, up 16.5 percent compared with \$6.1 million in the second quarter of fiscal 2016.
- § Net income (GAAP) was \$4.5 million, or \$0.36 per diluted share, compared with net income of \$3.8 million, or \$0.30 per diluted share, in the prior year period.
- § Adjusted net income (non-GAAP) was \$5.9 million, or \$0.47 per diluted share, for the current quarter, compared with \$5.2 million, or \$0.41 per diluted share, for the second quarter of fiscal 2016. (Adjusted net income is calculated using estimated cash income tax expense. See the reconciliation to net income on page 6).
- § Cash and cash equivalents, short term investments and long term investments held-to-maturity totaled \$47.4 million, up \$5.3 million from last fiscal year end, with no outstanding balance on the company's line of credit as of October 30, 2016. The \$47.4 million was achieved despite spending \$10.6 million on capital expenditures and dividends during the first six months of this fiscal year.
- § The company announced a 14 percent increase in its quarterly cash dividend from \$0.07 to \$0.08 per share, or \$0.32 per share on an annualized basis, commencing in the third quarter of fiscal 2017.

#### **Fiscal 2017 Year to Date Highlights**

- § Net sales were \$156.0 million, down 0.7 percent, with mattress fabric sales up 3.0 percent and upholstery fabric sales down 6.1 percent compared with the same period a year ago.
- § Pre-tax income was \$15.7 million, compared with \$13.6 million for the same period last year, representing a 15.9 percent increase.
- § Net income (GAAP) was \$9.8 million, or \$0.78 per diluted share, compared with net income of \$8.5 million, or \$0.68 per diluted share, in the prior year period.
- § Adjusted net income (non-GAAP) was \$12.9 million, or \$1.03 per diluted share, compared with \$11.4 million, or \$0.92 per diluted share, for the prior year period.
- § Annualized consolidated return on capital was 34 percent, compared with 32 percent for the same period a year ago.
- § Capital expenditures for the year to date period totaled \$6.3 million, almost all of which related to the mattress fabrics segment, compared with \$5.3 million a year ago.
- § During the first half of fiscal 2017, the company paid \$4.3 million in dividends, of which \$2.5 million was for a special dividend. Since June 2011, the company has returned a total of \$44.0 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

#### **Financial Outlook**

- § The projection for third quarter fiscal 2017 is for overall sales to be flat to slightly lower than the previous year's third quarter. Pre-tax income for the third quarter of fiscal 2017 is expected to be in the range of \$6.7 million to \$7.3 million. Pre-tax income for the third quarter of fiscal 2016 was \$7.2 million.

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## Overview

For the second quarter ended October 30, 2016, net sales were \$75.3 million, compared with \$77.0 million a year ago. The company reported net income of \$4.5 million, or \$0.36 per diluted share, for the second quarter of fiscal 2017, compared with net income of \$3.8 million, or \$0.30 per diluted share, for the second quarter of fiscal 2016.

Given the volatility in the income tax area during fiscal 2016 and previous years, the company is reporting adjusted net income (non-GAAP), which is calculated using estimated cash income tax expense for its foreign subsidiaries. (A presentation of adjusted net income and reconciliation to net income is set forth on page 6). The company currently does not incur cash income tax expense in the U.S., nor does it expect to for two to three more years, due to approximately \$18.0 million in U.S. net operating loss carryforwards as of the end of fiscal 2016. For the second quarter of fiscal 2017, adjusted net income was \$5.9 million, or \$0.47 per diluted share, compared with \$5.2 million, or \$0.41 per diluted share, for the second quarter of fiscal 2016. On a pre-tax basis, the company reported income of \$7.2 million compared with pre-tax income of \$6.1 million for the second quarter of fiscal 2016.

Commenting on the results, Frank Saxon, president and chief executive officer of Culp, Inc., said, "Overall, our second quarter sales were slightly lower than the same quarter of last year, reflecting softness in the retail market for home furnishings. However, in spite of lower sales, we are pleased with the strong operating performance in both businesses, excellent free cash flow and high returns on capital. We have continued to drive product innovation and creativity and leverage the strength of our efficient manufacturing platform with favorable results. We have also realized the benefits of our recent capital improvement projects in the mattress fabrics business. Importantly, we have the financial strength to continue to make the strategic investments to enhance our operations and support our growth objectives.

"We are also pleased that our financial performance and strong balance sheet have enabled us to increase our quarterly cash dividend by 14 percent from \$0.07 to \$0.08 per share, or \$0.32 per share on an annualized basis. Notably, we have consistently increased our quarterly dividend every year since we reinstated the dividend in June 2012 at an annualized rate of \$0.12 per share. This action is consistent with our capital allocation strategy and confirms our commitment to generate value for our shareholders," added Saxon.

## Mattress Fabric Segment

Mattress fabric sales for the second quarter were \$45.5 million, up slightly compared with \$45.4 million for the second quarter of fiscal 2016.

"We are pleased with our overall performance for the second quarter, especially in light of challenging market conditions," said Iv Culp, president of Culp's mattress fabrics division. "We continued to execute our strategy in a difficult environment and have outperformed current industry trends. Our strategic focus on design creativity and innovation has been a key advantage in meeting changing customer demand with a diverse product offering, including mattress fabrics and covers, across all price points. Our mirrored manufacturing platform, technical expertise and expanded reactive capacity, support our strategy with outstanding customer service and delivery performance.

"We have made excellent progress in our operating results through the first half of fiscal 2017, demonstrating the strength of our business model and consistent execution of our strategic plan. These improved results reflect the benefits of our capital investments over the past year including increased capacity via newer, more efficient equipment, enhanced finishing capabilities and better overall throughput. We also benefited from lower raw material costs in the second quarter compared with a year ago. We are near completion with the latest expansion projects in our North Carolina facilities to enhance production capacity and significantly improve our distribution capabilities. In addition, we are planning further consolidation and equipment relocation to streamline our production platform to more effectively support our continuous improvement initiatives and long-term growth strategy. We are also making progress with our Canadian expansion project, including new equipment installations and enhanced finishing capabilities. Importantly, our new Canadian distribution platform, expected to commence operations in the fourth quarter of fiscal 2017, 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.

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December 1, 2016

“From product design to final delivery, we are executing our diversification strategy to offer a full complement of fabrics and sewn covers. CLASS, our mattress cover business, had a strong performance in the second quarter, and we are excited about the sales potential ahead to expand our business. We believe mattress cover opportunities exist with our traditional customers, and we are also reaching new markets, especially the fast growing Internet bedding space.

“We are also in the final planning stages for expanding our mattress cover capacity with another production facility in a low-cost labor country. This new location, which is expected to commence operations in the first half of next fiscal year, will complement our existing production capabilities with a mirrored platform and enhance our ability to meet customer demand while remaining cost-competitive.

“Importantly, we believe Culp has a strong competitive position, and we will be strategic in targeting customers who value our innovation and compelling value proposition. We remain confident in our ability to execute our strategy and drive our long-term operating performance,” Culp concluded.

### **Upholstery Fabric Segment**

Sales for this segment were \$29.8 million for the second quarter of fiscal 2017, down 5.4 percent compared with sales of \$31.5 million in the second quarter of fiscal 2016.

“Our upholstery fabric sales for the second quarter of fiscal 2017 reflected softer retail demand for residential furniture,” noted Boyd Chumbley, president of Culp’s upholstery fabric division. “However, in spite of the challenging sales environment, we are pleased with our overall operating performance. We have continued to drive innovation and creativity as we execute our product-driven strategy. Our global platform supports this strategy with the flexibility to meet changing customer demand trends and provide exceptional quality and service. China produced fabrics accounted for 93 percent of Culp’s upholstery fabric sales for the second quarter.

“Our creative designs and innovative products continue to distinguish the Culp brand in the marketplace. We had an excellent showing at the recent October furniture market. We are especially pleased with the favorable customer response to our latest ‘performance’ line of highly durable, stain-resistant fabrics. We have recently launched a new marketing campaign to promote this innovative product line, and we remain optimistic about the sales opportunities for Culp,” added Chumbley.

### **Balance Sheet**

“We have maintained a strong financial position through the first half of fiscal 2017, even while investing \$6.3 million of capital expenditures mostly in our mattress fabrics business and returning \$4.3 million to shareholders in regular and special dividends,” added Ken Bowling, senior vice president and chief financial officer of Culp, Inc. “As of the end of the second quarter, we reported \$47.4 million in cash and cash equivalents, short-term investments and long-term investments held-to-maturity, up \$5.3 million from \$42.1 million at the end of last fiscal year. We are also pleased that we paid off our outstanding line of credit during the quarter.

“Free cash flow was \$9.5 million for the first half of fiscal 2017, compared with \$6.4 million for the same period in fiscal 2016. The year over year improvement in free cash flow was due primarily to increased earnings and improved working capital management, especially inventory management. We expect to have another strong year of free cash flow in fiscal 2017, even with the anticipated high level of capital expenditures and modest growth in working capital,” added Bowling.

### **Dividends and Share Repurchases**

The company also announced that the Board of Directors approved a 14 percent increase in the company’s quarterly cash dividend from \$0.07 to \$0.08 per share, or \$0.32 per share on an annualized basis. This payment will be made on January 17, 2017, to shareholders of record as of January 3, 2017. Future dividend payments are subject to Board approval and may be adjusted at the Board’s discretion as business needs or market conditions change.

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

Since June 2011, the company has returned a total of \$44.0 million to shareholders in the form of regular quarterly and special dividends and share repurchases.

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## Outlook

Commenting on the outlook for the third quarter of fiscal 2017, Saxon remarked, “We expect overall sales to be flat to slightly lower as compared with the third quarter of last year, primarily reflecting the timing of the Chinese New Year on our upholstery fabrics business.

“Mattress fabrics sales are expected to be slightly higher than the same period a year ago. Operating income and margins in this segment are expected to be slightly higher compared to a year ago.

“In our upholstery fabrics segment, we expect both sales and operating income to be moderately lower than the same period a year ago. The timing of the Chinese New Year holiday will have a greater impact on our business in the third fiscal quarter as the holiday occurs in January this coming year as opposed to February last year.

“Considering these factors, the company expects to report pre-tax income for the third fiscal quarter of 2017 in the range of \$6.7 million to \$7.3 million. Pre-tax income for last year’s third quarter was \$7.2 million.

“Looking at the full year, capital expenditures for fiscal 2017 are projected to be approximately \$12 million, mostly related to expansion and efficiency improvement projects for mattress fabrics. Additionally, the company expects another strong year of free cash flow.”

In closing, Saxon remarked, “In spite of a more challenging retail environment for home furnishings experienced during this quarter, we are pleased with our results to date for fiscal 2017, with a strong operating performance for both businesses. Our creative designs and ability to consistently innovate have distinguished our products in the marketplace, and we have done an excellent job in meeting the changing demands of our customers. At the same time, we continue to identify new market opportunities and make strategic investments in our business to enhance our competitive position. Importantly, we have the financial strength to support our growth strategy and, at the same time, reward our shareholders. Looking ahead, we are cautiously optimistic about the potential for improved demand in the home furnishings industry given the recent uptick in consumer confidence and the improvement in other economic indicators.”

## 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 release contains 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, 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. In addition, please note that the company is not responsible for changes made to this release by wire services, internet services, or other media.*

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

	Three Months Ended		Six Months Ended	
	October 30, 2016	November 1, 2015	October 30, 2016	November 1, 2015
Net sales	\$ 75,343,000	\$ 76,956,000	\$ 156,026,000	\$ 157,141,000
Income before income taxes	\$ 7,159,000	\$ 6,144,000	\$ 15,706,000	\$ 13,552,000
Net income	\$ 4,475,000	\$ 3,771,000	\$ 9,789,000	\$ 8,471,000
Net income per share:				
Basic	\$ 0.36	\$ 0.31	\$ 0.80	\$ 0.69
Diluted	\$ 0.36	\$ 0.30	\$ 0.78	\$ 0.68
Adjusted net income	\$ 5,885,000	\$ 5,179,000	\$ 12,910,000	\$ 11,424,000
Adjusted net income per share				
Basic	\$ 0.48	\$ 0.42	\$ 1.05	\$ 0.93
Diluted	\$ 0.47	\$ 0.41	\$ 1.03	\$ 0.92
Average shares outstanding:				
Basic	12,308,000	12,343,000	12,297,000	12,310,000
Diluted	12,507,000	12,484,000	12,495,000	12,481,000

**Presentation of Adjusted Net Income and Adjusted Income Taxes (1)**

	Three Months Ended		Six Months Ended	
	October 30, 2016	November 1, 2015	October 30, 2016	November 1, 2015
Income before income taxes	\$ 7,159,000	\$ 6,144,000	\$ 15,706,000	\$ 13,552,000
Adjusted income taxes (2)	\$ 1,274,000	\$ 965,000	\$ 2,796,000	\$ 2,128,000
Adjusted net income	\$ 5,885,000	\$ 5,179,000	\$ 12,910,000	\$ 11,424,000

(1) Culp, Inc. currently does not incur cash income tax expense in the U.S. due to its \$18 million in net operating loss carryforwards as of May 1, 2016. Therefore, adjusted net income is calculated using only income tax expense for the company's subsidiaries in Canada and China.

(2) Represents estimated cash income tax expense for the company's subsidiaries in Canada and China, calculated with a consolidated adjusted effective income tax rate of 17.8% for fiscal 2017 and 15.7% for fiscal 2016.

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**Consolidated Adjusted Effective Income Tax Rate, Net Income and Earnings Per Share**  
**For the Six Months Ended October 30, 2016, and November 1, 2015**  
**(Unaudited)**  
*(Amounts in Thousands)*

	<b>SIX MONTHS ENDED</b>	
	Amounts	
	<b>October 30, 2016</b>	November 1, 2015
Consolidated Effective GAAP Income Tax Rate (1)	37.7%	37.5%
Non-Cash U.S. Income Tax Expense	<b>(19.6)%</b>	(21.5)%
Non-Cash Foreign Income Tax Expense	<b>(0.3)%</b>	(0.3)%
Consolidated Adjusted Effective Income Tax Rate (2)	<b>17.8%</b>	15.7%

	<b>THREE MONTHS ENDED</b>					
	<b>As reported</b>		<b>October 30, 2016</b>	<b>As reported</b>		<b>November 1, 2015</b>
	<b>October 30, 2016</b>	Adjustments	<b>Proforma Net of Adjustments</b>	<b>November 1, 2015</b>	Adjustments	<b>Proforma Net of Adjustments</b>
Income before income taxes	\$ 7,159	\$ -	\$ 7,159	\$ 6,144		\$ 6,144
Income taxes (3)	<b>2,684</b>	\$ (1,410)	<b>1,274</b>	<b>2,373</b>	\$ (1,408)	<b>965</b>
Net income	<b>\$ 4,475</b>	\$ 1,410	<b>\$ 5,885</b>	<b>\$ 3,771</b>	\$ 1,408	<b>\$ 5,179</b>
Net income per share-basic	\$ 0.36	\$ 0.11	\$ 0.48	\$ 0.31	\$ 0.11	\$ 0.42
Net income per share-diluted	\$ 0.36	\$ 0.11	\$ 0.47	\$ 0.30	\$ 0.11	\$ 0.41
Average shares outstanding-basic	<b>12,308</b>	<b>12,308</b>	<b>12,308</b>	<b>12,343</b>	<b>12,343</b>	<b>12,343</b>
Average shares outstanding-diluted	<b>12,507</b>	<b>12,507</b>	<b>12,507</b>	<b>12,484</b>	<b>12,484</b>	<b>12,484</b>

	<b>SIX MONTHS ENDED</b>					
	<b>As reported</b>		<b>October 30, 2016</b>	<b>As reported</b>		<b>November 1, 2015</b>
	<b>October 30, 2016</b>	Adjustments	<b>Proforma Net of Adjustments</b>	<b>November 1, 2015</b>	Adjustments	<b>Proforma Net of Adjustments</b>
Income before income taxes	\$ 15,706	\$ -	\$ 15,706	\$ 13,552	\$ -	\$ 13,552
Income taxes (3)	<b>5,917</b>	\$ (3,121)	<b>2,796</b>	<b>5,081</b>	\$ (2,953)	<b>2,128</b>
Net income	<b>\$ 9,789</b>	\$ 3,121	<b>\$ 12,910</b>	<b>\$ 8,471</b>	\$ 2,953	<b>\$ 11,424</b>
Net income per share-basic	\$ 0.80	\$ 0.25	\$ 1.05	\$ 0.69	\$ 0.24	\$ 0.93
Net income per share-diluted	\$ 0.78	\$ 0.25	\$ 1.03	\$ 0.68	\$ 0.24	\$ 0.92
Average shares outstanding-basic	<b>12,297</b>	<b>12,297</b>	<b>12,297</b>	<b>12,310</b>	<b>12,310</b>	<b>12,310</b>
Average shares outstanding-diluted	<b>12,495</b>	<b>12,495</b>	<b>12,495</b>	<b>12,481</b>	<b>12,481</b>	<b>12,481</b>

(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.

(3) Proforma income taxes calculated using the Consolidated Adjusted Effective Income Tax Rate as reflected above.



**Reconciliation of Free Cash Flow**  
**For the Six Months Ended October 30, 2016, and November 1, 2015**  
(Unaudited)  
(Amounts in thousands)

	<u>Six Months Ended October 30, 2016</u>	<u>Six Months Ended November 1, 2015</u>
Net cash provided by operating activities	\$ 16,602	\$ 11,204
Minus: Capital expenditures	(6,308)	(5,255)
Add: Proceeds from the sale of equipment	-	225
Minus: Purchase of long-term investments (Rabbi Trust)	(929)	(864)
Add: Excess tax benefits related to stock-based compensation	167	838
Effect of exchange rate changes on cash and cash equivalents	(38)	271
	<u>9,494</u>	<u>6,419</u>
Free Cash Flow	<u>\$ 9,494</u>	<u>\$ 6,419</u>

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**Reconciliation of Return on Capital**  
**For the Six Months Ended October 30, 2016, and November 1, 2015**  
(Unaudited)  
*(Amounts in thousands)*

	<b>Six Months Ended October 30, 2016</b>	<b>Six Months Ended November 1, 2015</b>
Consolidated Income from Operations	\$ 15,973	\$ 13,760
Average Capital Employed (2)	93,019	87,372
Return on Average Capital Employed (1)	34.3%	31.5%

## Average Capital Employed

	<b>October 30, 2016</b>	<b>July 31, 2016</b>	<b>May 1, 2016</b>
Total assets	\$ 179,127	\$ 183,360	\$ 175,142
Total liabilities	(43,178)	(51,925)	(46,330)
Subtotal	\$ 135,949	\$ 131,435	\$ 128,812
Less:			
Cash and cash equivalents	(13,910)	(45,549)	(37,787)
Short-term investments	(2,430)	(2,434)	(4,359)
Long-term investments- Held-To-Maturity	(31,050)	-	-
Long-term investments - Rabbi Trust	(4,994)	(4,611)	(4,025)
Income taxes receivable	-	-	(155)
Deferred income taxes - non-current	(581)	(1,942)	(2,319)
Income taxes payable - current	513	358	180
Income taxes payable - long-term	3,734	3,779	3,841
Deferred income taxes - non-current	1,699	1,532	1,483
Line of credit	-	7,000	-
Deferred compensation	5,171	5,031	4,686
Total Capital Employed	\$ 94,101	\$ 94,599	\$ 90,357
Average Capital Employed (2)	\$ 93,019		

	<b>November 1, 2015</b>	<b>August 2, 2015</b>	<b>May 3, 2015</b>
Total assets	\$ 168,947	\$ 166,880	\$ 171,300
Total liabilities	(45,972)	(48,155)	(51,873)
Subtotal	\$ 122,975	\$ 118,725	\$ 119,427
Less:			
Cash and cash equivalents	(31,176)	(25,933)	(29,725)
Short-term investments	(6,320)	(6,336)	(10,004)
Long-term investments - Rabbi Trust	(3,279)	(2,893)	(2,415)
Income taxes receivable	(75)	(142)	(229)
Deferred income taxes - non-current	(3,415)	(4,406)	(5,169)
Current maturities of long-term debt	-	2,200	2,200
Income taxes payable - current	305	392	325
Income taxes payable - long-term	3,655	3,634	3,792
Deferred income taxes - non-current	1,206	1,072	982
Deferred compensation	4,421	4,280	4,041
Total Capital Employed	\$ 88,297	\$ 90,593	\$ 83,225
Average Capital Employed (2)	\$ 87,372		

## Notes:

- (1) Return on average capital employed represents operating income for the six month period ending October 30, 2016, or November 1, 2015, times two quarters to arrive at an annualized value then 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 income tax assets and liabilities, income taxes receivable and payable, and deferred compensation.**

- (2) **Average capital employed used for the six months ending October 30, 2016, was computed using the three quarterly periods ending October 30, 2016, July 31, 2016, and May 1, 2016.**  
**Average capital employed used for the six months ending November 1, 2015 was computed using the three quarterly periods ending November 1, 2015, August 2, 2015, and May 3, 2015.**

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**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF NET INCOME**  
**FOR THREE MONTHS ENDED OCTOBER 30, 2016 AND NOVEMBER 1, 2015**  
**(UNAUDITED)**  
**(Amounts in Thousands, Except for Per Share Data)**

	<b>THREE MONTHS ENDED</b>				
	Amounts			Percent of Sales	
	<b>October 30, 2016</b>	November 1, 2015	% Over (Under)	<b>October 30, 2016</b>	November 1, 2015
Net sales	\$ 75,343	76,956	(2.1)%	<b>100.0%</b>	100.0%
Cost of sales	<b>58,442</b>	61,223	(4.5)%	<b>77.6%</b>	79.6%
Gross profit	<b>16,901</b>	15,733	7.4%	<b>22.4%</b>	20.4%
Selling, general and administrative expenses	<b>9,602</b>	9,433	1.8%	<b>12.7%</b>	12.3%
Income from operations	<b>7,299</b>	6,300	15.9%	<b>9.7%</b>	8.2%
Interest income	(15)	(69)	(78.3)%	<b>(0.0)%</b>	(0.1)%
Other expense	155	225	(31.1)%	<b>0.2%</b>	0.3%
Income before income taxes	<b>7,159</b>	6,144	16.5%	<b>9.5%</b>	8.0%
Income taxes*	<b>2,684</b>	2,373	13.1%	<b>37.5%</b>	38.6%
Net income	<b>\$ 4,475</b>	3,771	18.7%	<b>5.9%</b>	4.9%
Net income per share-basic	\$ 0.36	\$ 0.31	16.1%		
Net income per share-diluted	\$ 0.36	\$ 0.30	20.0%		
Average shares outstanding-basic	12,308	12,343	(0.3)%		
Average shares outstanding-diluted	12,507	12,484	0.2%		

**PRESENTATION OF ADJUSTED NET INCOME, ADJUSTED INCOME TAXES AND EARNINGS PER SHARE (1)**

	<b>THREE MONTHS ENDED</b>				
	Amounts			Percent of Sales	
	<b>October 30, 2016</b>	November 1, 2015	% Over (Under)	<b>October 30, 2016</b>	November 1, 2015
Income before income taxes (see above)	\$ 7,159	6,144	16.5%	<b>9.5%</b>	8.0%
Adjusted Income taxes (2)*	<b>1,274</b>	965	32.0%	<b>17.8%</b>	15.7%
Adjusted net income	<b>5,885</b>	5,179	13.6%	<b>7.8%</b>	6.7%
Adjusted net income per share-basic	\$ 0.48	\$ 0.42	14.3%		
Adjusted net income per share-diluted	\$ 0.47	\$ 0.41	14.6%		
Average shares outstanding-basic	12,308	12,343	(0.3)%		
Average shares outstanding-diluted	12,507	12,484	0.2%		

(1) Culp, Inc. currently does not incur cash income tax expense in the US due to its \$18.0 million in net operating loss carryforwards as of May 1, 2016. Therefore, adjusted net income is calculated using only income tax expense for our subsidiaries located in Canada and China. See reconciliation on page 10 of 10.

(2) Represents estimated income tax expense for our subsidiaries located in Canada and China. See reconciliation on page 10 of 10.

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

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF NET INCOME**  
**FOR THE SIX MONTHS ENDED OCTOBER 30, 2016 AND NOVEMBER 1, 2015**  
**(UNAUDITED)**  
**(Amounts in Thousands, Except for Per Share Data)**

	<b>SIX MONTHS ENDED</b>				
	Amounts		% Over (Under)	Percent of Sales	
	<b>October 30, 2016</b>	November 1, 2015		<b>October 30, 2016</b>	November 1, 2015
Net sales	\$ 156,026	157,141	(0.7)%	<b>100.0%</b>	100.0%
Cost of sales	<b>120,705</b>	125,206	(3.6)%	<b>77.4%</b>	79.7%
Gross profit	<b>35,321</b>	31,935	10.6%	<b>22.6%</b>	20.3%
Selling, general and administrative expenses	<b>19,348</b>	18,175	6.5%	<b>12.4%</b>	11.6%
Income from operations	<b>15,973</b>	13,760	16.1%	<b>10.2%</b>	8.8%
Interest income	(40)	(112)	(64.3)%	<b>(0.0)%</b>	(0.1)%
Other expense	<b>307</b>	320	(4.1)%	<b>0.2%</b>	0.2%
Income before income taxes	<b>15,706</b>	13,552	15.9%	<b>10.1%</b>	8.6%
Income taxes*	<b>5,917</b>	5,081	16.5%	<b>37.7%</b>	37.5%
Net income	<b>\$ 9,789</b>	<b>8,471</b>	<b>15.6%</b>	<b>6.3%</b>	<b>5.4%</b>
Net income per share-basic	\$ 0.80	\$ 0.69	15.9%		
Net income per share-diluted	\$ 0.78	\$ 0.68	14.7%		
Average shares outstanding-basic	<b>12,297</b>	12,310	(0.1)%		
Average shares outstanding-diluted	<b>12,495</b>	12,481	0.1%		

**PRESENTATION OF ADJUSTED NET INCOME, ADJUSTED INCOME TAXES AND EARNINGS PER SHARE (1)**

	<b>SIX MONTHS ENDED</b>				
	Amounts		% Over (Under)	Percent of Sales	
	<b>October 30, 2016</b>	November 1, 2015		<b>October 30, 2016</b>	November 1, 2015
Income before income taxes (see above)	\$ 15,706	13,552	15.9%	<b>10.1%</b>	8.6%
Adjusted Income taxes (2)*	<b>2,796</b>	2,128	31.4%	<b>17.8%</b>	15.7%
Adjusted net income	<b>12,910</b>	<b>11,424</b>	<b>13.0%</b>	<b>8.3%</b>	<b>7.3%</b>
Adjusted net income per share-basic	\$ 1.05	\$ 0.93	12.9%		
Adjusted net income per share-diluted	\$ 1.03	\$ 0.92	12.0%		
Average shares outstanding-basic	<b>12,297</b>	12,310	(0.1)%		
Average shares outstanding-diluted	<b>12,495</b>	12,481	0.1%		

(1) Culp, Inc. currently does not incur cash income tax expense in the US due to its \$18.0 million in net operating loss carryforwards as of May 1, 2016. Therefore, adjusted net income is calculated using only income tax expense for our subsidiaries located in Canada and China. See reconciliation on page 10 of 10.

(2) Represents estimated income tax expense for our subsidiaries located in Canada and China. See reconciliation on page 10 of 10.

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

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED BALANCE SHEETS**  
**OCTOBER 30, 2016, NOVEMBER 1, 2015, AND MAY 1, 2016**  
**Unaudited**  
**(Amounts in Thousands)**

	<u>Amounts</u>		Increase (Decrease)		* May 1, 2016
	<u>October 30, 2016</u>	<u>November 1, 2015</u>	<u>Dollars</u>	<u>Percent</u>	
<b>Current assets</b>					
Cash and cash equivalents	\$ 13,910	31,176	(17,266)	(55.4)%	37,787
Short-term investments	2,430	6,320	(3,890)	(61.6)%	4,359
Accounts receivable	19,039	23,314	(4,275)	(18.3)%	23,481
Inventories	45,954	46,479	(525)	(1.1)%	46,531
Income taxes receivable	-	75	(75)	(100.0)%	155
Other current assets	1,675	2,614	(939)	(35.9)%	2,477
Total current assets	<u>83,008</u>	<u>109,978</u>	<u>(26,970)</u>	<u>(24.5)%</u>	<u>114,790</u>
Property, plant & equipment, net	45,537	38,319	7,218	18.8%	39,973
Goodwill	11,462	11,462	-	0.0%	11,462
Deferred income taxes	581	3,415	(2,834)	(83.0)%	2,319
Long-term Investments - Held-To-Maturity	31,050	-	31,050	100.0%	-
Long-term Investments - Rabbi Trust	4,994	3,279	1,715	52.3%	4,025
Other assets	2,495	2,494	1	0.0%	2,573
Total assets	<u>\$ 179,127</u>	<u>168,947</u>	<u>10,180</u>	<u>6.0%</u>	<u>175,142</u>
<b>Current liabilities</b>					
Accounts payable - trade	\$ 20,183	25,221	(5,038)	(20.0)%	23,994
Accounts payable - capital expenditures	3,000	1,269	1,731	136.4%	224
Accrued expenses	8,878	9,895	(1,017)	(10.3)%	11,922
Income taxes payable - current	513	305	208	68.2%	180
Total current liabilities	<u>32,574</u>	<u>36,690</u>	<u>(4,116)</u>	<u>(11.2)%</u>	<u>36,320</u>
Income taxes payable - long-term	3,734	3,655	79	2.2%	3,841
Deferred income taxes	1,699	1,206	493	40.9%	1,483
Deferred compensation	5,171	4,421	750	17.0%	4,686
Total liabilities	<u>43,178</u>	<u>45,972</u>	<u>(2,794)</u>	<u>(6.1)%</u>	<u>46,330</u>
Shareholders' equity	<u>135,949</u>	<u>122,975</u>	<u>12,974</u>	<u>10.6%</u>	<u>128,812</u>
Total liabilities and shareholders' equity	<u>\$ 179,127</u>	<u>168,947</u>	<u>10,180</u>	<u>6.0%</u>	<u>175,142</u>
Shares outstanding	<u>12,312</u>	<u>12,350</u>	<u>(38)</u>	<u>(0.3)%</u>	<u>12,265</u>

\* Derived from audited financial statements.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED OCTOBER 30, 2016 AND NOVEMBER 1, 2015**  
**Unaudited**  
**(Amounts in Thousands)**

	<b>SIX MONTHS ENDED</b>	
	Amounts	
	<b>October 30, 2016</b>	<b>November 1, 2015</b>
Cash flows from operating activities:		
Net income	\$ 9,789	8,471
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,511	3,184
Amortization of other assets	80	86
Stock-based compensation	1,657	1,339
Deferred income taxes	2,121	2,816
Realized loss on sale of short-term investments	12	56
Loss (gain) on sale of equipment	9	(60)
Excess tax benefits related to stock-based compensation	(167)	(838)
Foreign currency exchange gains	(53)	(13)
Changes in assets and liabilities:		
Accounts receivable	4,142	4,892
Inventories	219	(4,135)
Other current assets	751	(302)
Other assets	-	8
Accounts payable	(3,274)	(2,921)
Accrued expenses and deferred compensation	(2,749)	(1,547)
Income taxes	554	168
Net cash provided by operating activities	<u>16,602</u>	<u>11,204</u>
Cash flows from investing activities:		
Capital expenditures	(6,308)	(5,255)
Proceeds from the sale of equipment	-	225
Proceeds from the sale of short-term investments	2,000	3,612
Purchase of short-term investments	(23)	(46)
Purchase of long-term investments (Held-To-Maturity)	(31,050)	-
Purchase of long-term investments (Rabbi Trust)	(929)	(864)
Net cash used in investing activities	<u>(36,310)</u>	<u>(2,328)</u>
Cash flows from financing activities:		
Proceeds from line of credit	7,000	-
Payments on line of credit	(7,000)	-
Payments on long-term debt	-	(2,200)
Excess tax benefits related to stock-based compensation	167	838
Dividends paid	(4,307)	(6,417)
Payments on debt issuance costs	(2)	(43)
Proceeds from common stock issued	11	126
Net cash used in financing activities	<u>(4,131)</u>	<u>(7,696)</u>
Effect of exchange rate changes on cash and cash equivalents	(38)	271
(Decrease) increase in cash and cash equivalents	(23,877)	1,451
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>\$ 13,910</u>	<u>31,176</u>
Free Cash Flow (1)	<u>\$ 9,494</u>	<u>6,419</u>

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

	FY 2017	FY 2016
A) Net cash provided by operating activities	\$ 16,602	11,204
B) Minus: Capital Expenditures	(6,308)	(5,255)

C) Add: Proceeds from the sale of equipment	-	225
D) Add: Excess tax benefits related to stock-based compensation	<b>167</b>	838
E) Minus: Purchase of long-term investments (Rabbi Trust)	<b>(929)</b>	(864)
F) Effects of exchange rate changes on cash and cash equivalents	<b>(38)</b>	271
	<b>\$ 9,494</b>	<b>6,419</b>

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**STATEMENTS OF OPERATIONS BY SEGMENT**  
**FOR THE THREE MONTHS ENDED OCTOBER 30, 2016 AND NOVEMBER 1, 2015**  
**(Unaudited)**

(Amounts in thousands)

	<b>THREE MONTHS ENDED</b>				
	Amounts			Percent of Total Sales	
	<b>October 30, 2016</b>	November 1, 2015	% Over (Under)	<b>October 30, 2016</b>	November 1, 2015
<b>Net Sales by Segment</b>					
Mattress Fabrics	\$ 45,527	45,436	0.2%	<b>60.4%</b>	59.0%
Upholstery Fabrics	<b>29,816</b>	31,520	(5.4)%	<b>39.6%</b>	41.0%
Net Sales	<b>\$ 75,343</b>	76,956	(2.1)%	<b>100.0%</b>	100.0%
<b>Gross Profit by Segment</b>					
Mattress Fabrics	\$ 10,756	9,456	13.7%	<b>23.6%</b>	20.8%
Upholstery Fabrics	<b>6,145</b>	6,277	(2.1)%	<b>20.6%</b>	19.9%
Gross Profit	<b>\$ 16,901</b>	15,733	7.4%	<b>22.4%</b>	20.4%
<b>Selling, General and Administrative Expenses by Segment</b>					
Mattress Fabrics	\$ 3,296	2,989	10.3%	<b>7.2%</b>	6.6%
Upholstery Fabrics	<b>3,652</b>	3,813	(4.2)%	<b>12.2%</b>	12.1%
Unallocated Corporate expenses	<b>2,654</b>	2,631	0.9%	<b>3.5%</b>	3.4%
Selling, General and Administrative Expenses	<b>\$ 9,602</b>	9,433	1.8%	<b>12.7%</b>	12.3%
<b>Operating Income (loss) by Segment</b>					
Mattress Fabrics	\$ 7,460	6,467	15.4%	<b>16.4%</b>	14.2%
Upholstery Fabrics	<b>2,493</b>	2,464	1.2%	<b>8.4%</b>	7.8%
Unallocated corporate expenses	<b>(2,654)</b>	(2,631)	0.9%	<b>(3.5)%</b>	(3.4)%
Operating income	<b>\$ 7,299</b>	6,300	15.9%	<b>9.7%</b>	8.2%
<b>Depreciation by Segment</b>					
Mattress Fabrics	\$ 1,545	1,424	8.5%		
Upholstery Fabrics	<b>206</b>	205	0.5%		
Depreciation	<b>\$ 1,751</b>	1,629	7.5%		

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**STATEMENTS OF OPERATIONS BY SEGMENT**  
**FOR THE SIX MONTHS ENDED OCTOBER 30, 2016 AND NOVEMBER 1, 2015**  
**(Unaudited)**

(Amounts in thousands)

	SIX MONTHS ENDED				
	Amounts			Percent of Total Sales	
	October 30, 2016	November 1, 2015	% Over (Under)	October 30, 2016	November 1, 2015
<b>Net Sales by Segment</b>					
Mattress Fabrics	\$ 96,057	93,245	3.0%	61.6%	59.3%
Upholstery Fabrics	59,969	63,896	(6.1)%	38.4%	40.7%
Net Sales	<u>\$ 156,026</u>	<u>157,141</u>	<u>(0.7)%</u>	<u>100.0%</u>	<u>100.0%</u>
<b>Gross Profit by Segment</b>					
Mattress Fabrics	\$ 22,657	19,381	16.9%	23.6%	20.8%
Upholstery Fabrics	12,664	12,554	0.9%	21.1%	19.6%
Gross Profit	<u>\$ 35,321</u>	<u>31,935</u>	<u>10.6%</u>	<u>22.6%</u>	<u>20.3%</u>
<b>Selling, General and Administrative Expenses by Segment</b>					
Mattress Fabrics	\$ 6,795	5,912	14.9%	7.1%	6.3%
Upholstery Fabrics	7,185	7,409	(3.0)%	12.0%	11.6%
Unallocated Corporate expenses	5,368	4,854	10.6%	3.4%	3.1%
Selling, General, and Administrative Expenses	<u>\$ 19,348</u>	<u>18,175</u>	<u>6.5%</u>	<u>12.4%</u>	<u>11.6%</u>
<b>Operating Income (loss) by Segment</b>					
Mattress Fabrics	\$ 15,862	13,468	17.8%	16.5%	14.4%
Upholstery Fabrics	5,479	5,146	6.5%	9.1%	8.1%
Unallocated corporate expenses	(5,368)	(4,854)	10.6%	(3.4)%	(3.1)%
Operating income	<u>\$ 15,973</u>	<u>13,760</u>	<u>16.1%</u>	<u>10.2%</u>	<u>8.8%</u>
<b>Return on Capital (1)</b>					
Mattress Fabrics	41.8%	37.9%			
Upholstery Fabrics	62.7%	61.7%			
Unallocated Corporate	N/A	N/A			
Consolidated	<u>34.3%</u>	<u>31.5%</u>			
<b>Capital Employed (2)</b>					
Mattress Fabrics	76,201	71,502	6.6%		
Upholstery Fabrics	18,181	17,058	6.6%		
Unallocated Corporate	(281)	(263)	N/A		
Consolidated	<u>94,101</u>	<u>88,297</u>	<u>6.6%</u>		
<b>Depreciation by Segment</b>					
Mattress Fabrics	\$ 3,101	2,783	11.4%		
Upholstery Fabrics	410	401	2.2%		
Depreciation	<u>\$ 3,511</u>	<u>3,184</u>	<u>10.3%</u>		

Notes:

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

(2) The capital employed balances are as of October 30, 2016 and November 1, 2015.





**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED STATEMENTS OF ADJUSTED EBITDA**  
**FOR THE TWELVE MONTHS ENDED OCTOBER 30, 2016 AND NOVEMBER 1,**  
**2015**  
**(UNAUDITED)**  
**(AMOUNTS IN THOUSANDS)**

	<b>Quarter Ended</b>				<b>Trailing 12</b>
	<b>1/31/2016</b>	<b>5/1/2016</b>	<b>7/31/2016</b>	<b>10/30/2016</b>	<b>Months</b>
					<b>10/30/2016</b>
<b>Net income</b>	\$ 4,862	\$ 3,601	\$ 5,313	\$ 4,475	\$ 18,251
<b>Income taxes</b>	2,317	3,566	3,233	2,684	11,800
<b>Interest income, net</b>	(38)	(26)	(25)	(15)	(104)
<b>Depreciation and amortization expense</b>	1,741	1,830	1,813	1,778	7,162
<b>Stock based compensation</b>	625	778	761	896	3,060
<b>Adjusted EBITDA</b>	<u>\$ 9,507</u>	<u>\$ 9,749</u>	<u>\$ 11,095</u>	<u>\$ 9,818</u>	<u>\$ 40,169</u>

  

	<b>Quarter Ended</b>				<b>Trailing 12</b>
	<b>2/1/2015</b>	<b>5/3/2015</b>	<b>8/2/2015</b>	<b>11/1/2015</b>	<b>Months</b>
					<b>11/1/2015</b>
<b>Net income</b>	\$ 3,812	\$ 4,913	\$ 4,701	\$ 3,771	\$ 17,197
<b>Income taxes</b>	2,110	1,772	2,707	2,373	8,962
<b>Interest income, net</b>	(202)	(128)	(42)	(69)	(441)
<b>Depreciation and amortization expense</b>	1,478	1,576	1,602	1,668	6,324
<b>Stock based compensation</b>	191	304	265	1,074	1,834
<b>Adjusted EBITDA</b>	<u>\$ 7,389</u>	<u>\$ 8,437</u>	<u>\$ 9,233</u>	<u>\$ 8,817</u>	<u>\$ 33,876</u>
<b>% Over (Under)</b>	<u>28.7%</u>	<u>15.6%</u>	<u>20.2%</u>	<u>11.4%</u>	<u>18.6%</u>

**CULP, INC. FINANCIAL INFORMATION RELEASE  
RETURN ON CAPITAL EMPLOYED BY SEGMENT  
FOR THE SIX MONTHS ENDED OCTOBER 30, 2016**

(Amounts in Thousands)  
(Unaudited)

	<b>Operating Income Six Months Ended October 30, 2016 (1)</b>	<b>Average Capital Employed (3)</b>	<b>Return on Avg. Capital Employed (2)</b>
Mattress Fabrics	\$ 15,862	\$ 75,828	41.8%
Upholstery Fabrics	5,479	17,476	62.7%
(less: Unallocated Corporate)	(5,368)	(285)	N/A
<b>Total</b>	<b>\$ 15,973</b>	<b>\$ 93,019</b>	<b>34.3%</b>

Average Capital Employed	<b>As of the three Months Ended October 30, 2016</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	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	94,700	29,361	55,066	179,127	92,959	33,550	56,851	183,360	94,878	29,463	50,801	175,142
Total liabilities	(18,499)	(11,180)	(13,499)	(43,178)	(16,313)	(16,329)	(19,283)	(51,925)	(20,241)	(12,438)	(13,651)	(46,330)
<b>Subtotal</b>	<b>\$ 76,201</b>	<b>\$ 18,181</b>	<b>\$ 41,567</b>	<b>\$ 135,949</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	-	-	(13,910)	(13,910)	-	-	(45,549)	(45,549)	-	-	(37,787)	(37,787)
Short-term investments	-	-	(2,430)	(2,430)	-	-	(2,434)	(2,434)	-	-	(4,359)	(4,359)
Long-term investments - Held-To-Maturity	-	-	(31,050)	(31,050)	-	-	-	-	-	-	-	-
Long-term investments - Rabbi Trust	-	-	(4,994)	(4,994)	-	-	(4,611)	(4,611)	-	-	(4,025)	(4,025)
Income taxes receivable	-	-	-	-	-	-	-	-	-	-	(155)	(155)
Deferred income taxes - non-current	-	-	(581)	(581)	-	-	(1,942)	(1,942)	-	-	(2,319)	(2,319)
Income taxes payable - current	-	-	513	513	-	-	358	358	-	-	180	180
Income taxes payable - long-term	-	-	3,734	3,734	-	-	3,779	3,779	-	-	3,841	3,841
Deferred income taxes - non-current	-	-	1,699	1,699	-	-	1,532	1,532	-	-	1,483	1,483
Line of credit	-	-	-	-	-	-	7,000	7,000	-	-	-	-
Deferred compensation	-	-	5,171	5,171	-	-	5,031	5,031	-	-	4,686	4,686
<b>Total Capital Employed</b>	<b>\$ 76,201</b>	<b>\$ 18,181</b>	<b>\$ (281)</b>	<b>\$ 94,101</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
Average Capital Employed (3)	\$ 75,828	\$ 17,476	\$ (285)	\$ 93,019

Notes:

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

(2) Return on average capital employed represents operating income for the six month period ending October 30, 2016 times two quarters to arrive at an annualized value then 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 three periods ending October 30, 2016, July 31, 2016 and May 1, 2016.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**RETURN ON CAPITAL EMPLOYED BY SEGMENT**  
**FOR THE SIX MONTHS ENDED NOVEMBER 1, 2015**  
**(Amounts in Thousands)**  
**(Unaudited)**

	<b>Operating Income Six Months Ended November 1, 2015 (1)</b>	<b>Average Capital Employed (3)</b>	<b>Return on Avg. Capital Employed (2)</b>
Mattress Fabrics	\$ 13,468	\$ 71,108	37.9%
Upholstery Fabrics	5,146	16,677	61.7%
(less: Unallocated Corporate)	(4,854)	(413)	N/A
<b>Total</b>	<b>\$ 13,760</b>	<b>\$ 87,372</b>	<b>31.5%</b>

Average Capital Employed	<b>As of the three Months Ended November 1, 2015</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	Mattress Fabrics	Upholstery Fabrics	Unallocated Corporate	Total
Total assets	90,730	32,187	46,030	168,947	91,614	33,795	41,471	166,880	89,066	32,838	49,396	171,300
Total liabilities	(19,228)	(15,129)	(11,615)	(45,972)	(20,265)	(14,849)	(13,041)	(48,155)	(18,594)	(18,812)	(14,467)	(51,873)
<b>Subtotal</b>	<b>\$ 71,502</b>	<b>\$ 17,058</b>	<b>\$ 34,415</b>	<b>\$ 122,975</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	-	-	(31,176)	(31,176)	-	-	(25,933)	(25,933)	-	-	(29,725)	(29,725)
Short-term investments	-	-	(6,320)	(6,320)	-	-	(6,336)	(6,336)	-	-	(10,004)	(10,004)
Long-term investments- Rabbi Trust	-	-	(3,279)	(3,279)	-	-	(2,893)	(2,893)	-	-	(2,415)	(2,415)
Income taxes receivable	-	-	(75)	(75)	-	-	(142)	(142)	-	-	(229)	(229)
Deferred income taxes - non-current	-	-	(3,415)	(3,415)	-	-	(4,406)	(4,406)	-	-	(5,169)	(5,169)
Current maturities of long-term debt	-	-	-	-	-	-	2,200	2,200	-	-	2,200	2,200
Income taxes payable - current	-	-	305	305	-	-	392	392	-	-	325	325
Income taxes payable - long-term	-	-	3,655	3,655	-	-	3,634	3,634	-	-	3,792	3,792
Deferred income taxes - non-current	-	-	1,206	1,206	-	-	1,072	1,072	-	-	982	982
Deferred compensation	-	-	4,421	4,421	-	-	4,280	4,280	-	-	4,041	4,041
<b>Total Capital Employed</b>	<b>\$ 71,502</b>	<b>\$ 17,058</b>	<b>\$ (263)</b>	<b>\$ 88,297</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>\$ 71,108</b>	<b>\$ 16,677</b>	<b>\$ (413)</b>	<b>\$ 87,372</b>

Average Capital Employed (3)

Notes:

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

(2) Return on average capital employed represents operating income for the six month period ending November 1, 2015 times two quarters to arrive at an annualized value then 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 three periods ending November 1, 2015, August 2, 2015 and May 3, 2015.

**CULP, INC. FINANCIAL INFORMATION RELEASE**  
**CONSOLIDATED ADJUSTED EFFECTIVE INCOME TAX RATE, NET INCOME AND EARNINGS PER SHARE**  
**FOR THE SIX MONTHS ENDED OCTOBER 30, 2016 AND NOVEMBER 1,**  
**2015**  
**Unaudited**  
**(Amounts in Thousands)**

<b>SIX MONTHS ENDED</b>		
Amounts		
	<b>October 30, 2016</b>	November 1, 2015
Consolidated Effective GAAP Income Tax Rate	(1) <b>37.7%</b>	37.5%
Non-Cash U.S. Income Tax Expense	<b>(19.6)%</b>	(21.5)%
Non-Cash Foreign Income Tax Expense	<u><b>(0.3)%</b></u>	<u>(0.3)%</u>
Consolidated Adjusted Effective Income Tax Rate	(2) <u><b>17.8%</b></u>	<u>15.7%</u>

<b>THREE MONTHS ENDED</b>						
	<b>As reported October 30, 2016</b>	Adjustments	<b>October 30, 2016 Proforma Net of Adjustments</b>	<b>As reported November 1, 2015</b>	Adjustments	<b>November 1, 2015 Proforma Net of Adjustments</b>
Income before income taxes	\$ 7,159	\$ -	\$ 7,159	\$ 6,144		\$ 6,144
Income taxes (3)	<b>2,684</b>	\$ (1,410)	<b>1,274</b>	<b>2,373</b>	\$ (1,408)	<b>965</b>
Net income	<u>\$ 4,475</u>	<u>\$ 1,410</u>	<u>\$ 5,885</u>	<u>\$ 3,771</u>	<u>\$ 1,408</u>	<u>\$ 5,179</u>
Net income per share-basic	\$ 0.36	\$ 0.11	\$ 0.48	\$ 0.31	\$ 0.11	\$ 0.42
Net income per share-diluted	\$ 0.36	\$ 0.11	\$ 0.47	\$ 0.30	\$ 0.11	\$ 0.41
Average shares outstanding-basic	12,308	12,308	12,308	12,343	12,343	12,343
Average shares outstanding-diluted	12,507	12,507	12,507	12,484	12,484	12,484

<b>SIX MONTHS ENDED</b>						
	<b>As reported October 30, 2016</b>	Adjustments	<b>October 30, 2016 Proforma Net of Adjustments</b>	<b>As reported November 1, 2015</b>	Adjustments	<b>November 1, 2015 Proforma Net of Adjustments</b>
Income before income taxes	\$ 15,706	\$ -	\$ 15,706	\$ 13,552	\$ -	\$ 13,552
Income taxes (3)	<b>5,917</b>	\$ (3,121)	<b>2,796</b>	<b>5,081</b>	\$ (2,953)	<b>2,128</b>
Net income	<u>\$ 9,789</u>	<u>\$ 3,121</u>	<u>\$ 12,910</u>	<u>\$ 8,471</u>	<u>\$ 2,953</u>	<u>\$ 11,424</u>
Net income per share-basic	\$ 0.80	\$ 0.25	\$ 1.05	\$ 0.69	\$ 0.24	\$ 0.93
Net income per share-diluted	\$ 0.78	\$ 0.25	\$ 1.03	\$ 0.68	\$ 0.24	\$ 0.92
Average shares outstanding-basic	12,297	12,297	12,297	12,310	12,310	12,310
Average shares outstanding-diluted	12,495	12,495	12,495	12,481	12,481	12,481

(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.

(3) Proforma income taxes calculated using the Consolidated Adjusted Effective Income Tax Rate as reflected above.