

FELLOW SHAREHOLDERS

We are very pleased to report that Fiscal 2012 was an outstanding year for Culp.

Our financial and operating results for the year demonstrate our ability to execute on market opportunities while facing a challenging environment of economic uncertainty. We made substantial progress with our business strategy and product development initiatives that will continue to shape Culp's future and support our customers' success. Throughout the year, we built upon our strong foundation and further enhanced our leading competitive position in both mattress fabrics and upholstery fabrics. We leveraged our outstanding creative abilities to offer a wide range of innovative products that meet the changing style demands of our customers around the world.

Our commitment to product innovation, supported by our scalable and global manufacturing platforms and outstanding customer service, are key advantages for Culp in today's dynamic marketplace. Notably, our financial position is the strongest in the company's history, providing the flexibility to pursue our growth initiatives and create new opportunities to enhance shareholder value.

Cash Returned to Shareholders

On June 13, 2012, we announced that our Board of Directors approved the payment of a quarterly cash dividend of \$.03 per share commencing in the first quarter of fiscal 2013. This implies an annual dividend of \$0.12 per share. At the same time, the Board approved a new authorization for the company to acquire up to \$5.0 million of Culp common stock. This action replaces a similar authorization to acquire up to \$7.0 million of Culp common stock, of which \$5.4 million was used during fiscal 2012 to repurchase 624,459 shares at an average price of \$8.62. These purchases represented 4.7 percent of shares outstanding when the program began in June 2011.

The opportunity to initiate a quarterly dividend and to increase the share repurchase program reflects our solid and consistent financial performance and strong balance sheet, along with the leadership position we have established in each of our businesses. Both of these actions reinforce our confidence in Culp's future and our commitment to generating value for our shareholders.

Mattress Fabrics Segment

Our mattress fabrics business had a very strong performance in fiscal 2012, posting record annual sales with solid gains across all major product categories. Overall, mattress fabric sales were up 19 percent over the prior year, driven by a growing consumer demand for better bedding and a higher quality mattress fabric with certain segments of the mattress industry demanding more decorative products. Culp is well positioned to meet this demand as a leading provider of an innovative and diverse line of products in every major category, supported by exceptional customer service.

While we are pleased with the higher sales for the year, our operating margins in fiscal 2012 were affected by higher raw material costs and greater pricing pressures compared with market conditions the prior year. We are encouraged that raw material prices have come down from their peak levels and appear to have stabilized and we expect gradual improvement in our raw material costs in fiscal 2013.

We have continued to look for opportunities to expand our current custom, value-added business platform and keep pace with changing industry demand trends. At the end of fiscal 2012, we entered into a joint marketing agreement with A. Lava & Son Co., a leading provider of mattress covers based in Chicago, to design, produce and market mattress covers. This new venture, known as Culp-Lava Applied Sewn Solutions, represents a natural progression of Culp's growth strategy in our mattress fabrics business to capitalize on market opportunities in more innovative product offerings. We will establish a new manufacturing facility with production expected to begin the second quarter of fiscal 2013. As a result, we will have two mirrored manufacturing facilities to better serve our growing customer base and meet current and expected demand trends.

We believe this new venture highlights our commitment to enhance Culp's leadership position in the bedding industry with an expanded and flexible manufacturing platform, supported by exceptional design, superior customer service, reliable delivery performance and consistent quality and value.

Upholstery Fabrics Segment

We are encouraged by the continued growth in our upholstery fabrics business in fiscal 2012 with our annual sales up over 15 percent from fiscal 2011. These results reflect improved industry demand and outstanding response to our innovative designs and new product introductions from key customers. Sales of our China produced fabrics were the main driver of our growth for the year, reflecting our strategic focus on offering high quality products at excellent values. China produced fabrics now account for over 85 percent of all Culp's upholstery fabrics sales. This platform has played a significant role in our global development in fiscal 2012 with increased placements with key U.S. customers, local China market customers and a growing list of international customers.

We were especially pleased with the sales and profit improvement from our U.S. operation over the past year with increased demand for both velvets and woven texture fabrics. Our actions in the second quarter of fiscal 2012 to more effectively align our U.S. capacity with expected demand and increase prices had a favorable impact on our profitability.

We continue to make progress in the development of our Culp Europe operation, located in Poland. We are encouraged by the initial response from several of the largest furniture manufacturers and retailers in Europe. For fiscal 2012, Culp Europe sales accounted for approximately three percent of our total upholstery fabrics sales and we expect this percentage to increase further over the next fiscal year. While we experienced a small operating loss for fiscal 2012 due to start-up costs, we expect Culp Europe to make a more meaningful contribution in the next fiscal year.

Balance Sheet

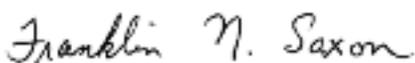
We believe a strong balance sheet is an important advantage for Culp, especially in today's economic environment, and provides us with the financial flexibility to pursue our growth strategy. Throughout fiscal 2012, we continued to generate significant cash flow and maintain a financial position that reflects our philosophy of conservative financial management. As of April 29, 2012, we reported \$31.0 million in cash and cash equivalents and short-term investments, unchanged from the balance at the end of fiscal 2011. Total debt was \$10.0 million, which includes long-term debt plus current maturities of long-term debt and line of credit, compared with \$11.5 million at the end of last fiscal year. We are pleased with our ability to maintain the same cash balance compared with the end of fiscal 2011, even after spending \$5.4 million for share repurchases, \$5.9 million in capital expenditures and increasing working capital by \$6.9 million to meet greater business demands. We have since made a scheduled principal payment of \$2.2 million in August 2012.

Looking Ahead

Fiscal 2012 was an exciting period for Culp and we are very pleased with the momentum we have built in both of our businesses. As we look ahead, the prevailing economic headwinds will continue to influence consumer behavior and demand trends remain uncertain. However, we believe Culp is well positioned for further profitable growth as the bedding and furniture industries gain traction and we have many reasons to be optimistic about Culp's future. Our ability to leverage our outstanding design capabilities, product innovation and a scalable global manufacturing platform will continue to drive our success. Our strong competitive position and confidence going forward are both due to the extraordinary work of our team of associates, a proven management team and board of directors, and above all, our valued customers. We thank all of them for their dedication and we look forward to working together in the year ahead to further advance Culp's leadership position and build shareholder value.

Thanks you for your continued support.

Sincerely,



Franklin N. Saxon
President and Chief Executive Officer



Robert G. Culp, III
Chairman of the Board

August 14, 2012