

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended January 28, 1996

Commission File No. 0-12781

CULP, INC.

(Exact name of registrant as specified in its charter)

NORTH CAROLINA
(State or other jurisdiction of
incorporation or other organization)

56-1001967
(I.R.S. Employer Identification No.)

101 S. Main St., High Point, North Carolina
(Address of principal executive offices)

27261-2686
(zip code)

(910) 889-5161
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to the filing requirements for at least the past 90 days.

YES X NO

Common shares outstanding at January 28, 1996: 11,265,423
Par Value: \$.05

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January 28, 1996

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CULP, INC.
CONSOLIDATED INCOME STATEMENTS (Page 1 of 9)
FOR THE THREE AND NINE MONTHS ENDED JANUARY 28, 1996 AND JANUARY 29, 1995

(Amounts in Thousands, Except for Per Share Data)

THREE MONTHS ENDED (UNAUDITED)					
Amounts			Percent of Sales		
	January 28, 1996	January 29, 1995	% Over (Under)	1996	1995
Net sales	\$ 86,476	77,791	11.2 %	100.0 %	100.0 %
Cost of sales	71,447	64,785	10.3 %	82.6 %	83.3 %
Gross profit	15,029	13,006	15.6 %	17.4 %	16.7 %
Selling, general and administrative expenses	9,639	8,295	16.2 %	11.1 %	10.7 %
Income from operations	5,390	4,711	14.4 %	6.2 %	6.1 %
Interest expense	1,279	1,120	14.2 %	1.5 %	1.4 %
Interest income	0	(14)	(100.0)%	0.0 %	(0.0)%
Other expense (income), net	266	245	8.6 %	0.3 %	0.3 %
Income before income taxes	3,845	3,360	14.4 %	4.4 %	4.3 %
Income taxes *	1,430	1,260	13.5 %	37.2 %	37.5 %
Net income	\$ 2,415	2,100	15.0 %	2.8 %	2.7 %
Average shares outstanding	11,232	11,205	0.2 %		
Net income per share	\$0.22	\$0.19	15.8 %		
Dividends per share	\$0.0275	\$0.025	10.0 %		

NINE MONTHS ENDED (UNAUDITED)					
Amounts			Percent of Sales		
	January 28, 1996	January 29, 1995	% Over (Under)	1996	1995
Net sales	\$ 249,505	222,585	12.1 %	100.0 %	100.0 %
Cost of sales	206,171	184,306	11.9 %	82.6 %	82.8 %
Gross profit	43,334	38,279	13.2 %	17.4 %	17.2 %
Selling, general and administrative expenses	27,768	24,227	14.6 %	11.1 %	10.9 %
Income from operations	15,566	14,052	10.8 %	6.2 %	6.3 %
Interest expense	3,964	3,341	18.6 %	1.6 %	1.5 %
Interest income	0	(61)	(100.0) %	0.0 %	(0.0) %
Other expense (income), net	592	612	(3.3) %	0.2 %	0.3 %
Income before income taxes	11,010	10,160	8.4 %	4.4 %	4.6 %
Income taxes *	4,080	3,810	7.1 %	37.1 %	37.5 %
Net income	\$ 6,930	6,350	9.1 %	2.8 %	2.9 %
Average shares	11,218	11,203	0.1 %		
Net income per share	\$0.62	\$0.57	8.8 %		
Dividends per share	\$0.0825	\$0.075	10.0 %		

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

CULP, INC.
CONSOLIDATED BALANCE SHEETS
JANUARY 28, 1996, JANUARY 29, 1995 AND APRIL 30, 1995

(Unaudited, Amounts in Thousands)

	Amounts		Increase		* April 30, 1995
	January 28, 1996	January 29, 1995	(Decrease)		
			Dollars	Percent	
Current assets					
Cash and cash investments	\$ 1,841	317	1,524	480.8 %	1,393
Accounts receivable	43,642	40,547	3,095	7.6 %	44,252
Inventories	49,960	44,314	5,646	12.7 %	45,771
Other current assets	3,436	2,920	516	17.7 %	3,194
Total current assets	98,879	88,098	10,781	12.2 %	94,610
Restricted investments	0	1,602	(1,602)	(100.0) %	795
Property, plant & equipment, net	73,356	69,373	3,983	5.7 %	75,805
Goodwill	23,037	18,850	4,187	22.2 %	22,600
Other assets	2,432	1,215	1,217	100.2 %	1,189
Total assets	\$ 197,704	179,138	18,566	10.4 %	194,999
Current Liabilities					
Current maturities of long-term debt	\$ 11,555	6,100	5,455	89.4 %	11,555
Accounts payable	22,516	24,126	(1,610)	(6.7) %	32,250
Accrued expenses	11,181	10,082	1,099	10.9 %	11,532
Income taxes payable	1,336	1,391	(55)	(4.0) %	661
Total current liabilities	46,588	41,699	4,889	11.7 %	55,998
Long-term debt	68,112	65,711	2,401	3.7 %	62,187
Deferred income taxes	5,381	3,477	1,904	54.8 %	5,418
Total liabilities	120,081	110,887	9,194	8.3 %	123,603
Shareholders' equity	77,623	68,251	9,372	13.7 %	71,396
Total liabilities and stockholders' equity	\$ 197,704	179,138	18,566	10.4 %	194,999
Shares outstanding	11,265	11,205	60	0.5 %	11,205

* Derived from audited financial statements.

CULP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED
JANUARY 28, 1996 AND
JANUARY 29, 1995
(Unaudited, Amounts in
Thousands)

	NINE MONTHS ENDED	
	Amounts	
	January 28, 1996	January 29, 1995
Cash flows from operating activities:		
Net income	\$ 6,930	6,350
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	9,278	8,237
Amortization of intangible assets	544	458
Provision for deferred income taxes	(37)	(272)
Changes in assets and liabilities:		
Accounts receivable	610	(3,804)
Inventories	(4,189)	(7,718)
Other current assets	(242)	(421)
Other assets	(1,343)	(761)
Accounts payable	(9,734)	(4,340)
Accrued expenses	(351)	1,924
Income taxes payable	675	755
Net cash provided by (used in) operating activities	2,141	408
Cash flows from investing activities:		
Capital expenditures	(7,710)	(13,606)
Purchases of restricted investments	0	(60)
Proceeds from sale of restricted investments	795	1,381
Business acquired	0	0
Net cash provided by (used in) investing activities	(6,915)	(12,285)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	10,500	20,000
Principal payments on long-term debt	(4,575)	(9,751)
Net increase (decrease) in bank overdrafts	0	0
Dividends paid	(926)	(840)
Proceeds from sale of common stock	223	92
Net cash provided by (used in) financing activities	5,222	9,501
Increase (decrease) in cash and cash investments	448	(2,376)
Cash and cash investments at beginning of period	1,393	2,693
Cash and cash investments at end of period	\$ 1,841	317

Culp, Inc.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(unaudited)

(Dollars in thousands, except per share data)

	Common Stock		Capital Contributed in Excess of Par Value	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
Balance, May 1, 1994	11,177,353	\$ 558	\$ 16,487	\$ 45,604	\$ 62,649
Cash dividends (\$.10 per share)				(1,120)	(1,120)
Net income				9,775	9,775
Common stock issued in connection with stock option plan	27,413	2	90		92
Balance, April 30, 1995	11,204,766	\$ 560	\$ 16,577	\$ 54,259	\$ 71,396
Cash dividends (\$.0825 per share)				(926)	(926)
Net income				6,930	6,930
Common stock issued in connection with stock option plan	60,657	3	220		223
Balance, January 28, 1996	11,265,423	\$ 563	\$ 16,797	\$ 60,263	\$ 77,623

Culp, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The financial information included herein is unaudited; however, such information reflects all adjustments which are, in the opinion of management, necessary for a fair statement of results for the interim periods.

Certain amounts for fiscal year 1995 have been reclassified to conform with the fiscal year 1996 presentation. Such reclassifications had no effect on net income as previously reported. All such adjustments are of a normal recurring nature.

The results of operations for the nine months ended January 28, 1996 are not necessarily indicative of the results to be expected for the full year.

2. Accounts Receivable

The company factors a portion of its accounts receivable, on a nonrecourse basis. The factoring arrangements are used solely for credit purposes, and not for borrowing purposes.

A summary of accounts receivable follows (dollars in thousands):

	January 28, 1996	April 30, 1995
Customers	\$ 43,997	\$ 44,014
Factors	528	1,314
Allowance for doubtful accounts	(555)	(739)
Reserve for returns and allowances	(328)	(337)
	\$ 43,642	\$ 44,252

3. Inventories

Inventories are carried at the lower of cost of market. Cost is determined for substantially all inventories using the LIFO (last-in, first-out) method.

A summary of inventories follows (dollars in thousands):

	January 28, 1996	April 30, 1995
Raw materials	\$ 30,426	\$ 25,385
Work-in-process	4,369	3,465
Finished goods	18,862	19,834
Total inventories valued at FIFO cost	53,657	48,684
Adjustments of certain inventories to the LIFO cost method	(3,697)	(2,913)
	\$ 49,960	\$ 45,771

Culp, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

4. Accounts Payable

A summary of accounts payable follows (dollars in thousands):

	January 28, 1996	April 30, 1995
Bank overdraft	\$ -0-	\$ -0-
Accounts payable-trade	19,809	22,647
Accounts payable-capital expenditures	2,707	9,603
	\$ 22,516	\$ 32,250

5. Accrued Expenses

A summary of accrued expenses follows (dollars in thousands):

	January 28, 1996	April 30, 1995
Compensation and benefits	\$ 5,438	\$ 5,252
Acquisition costs	694	1,595
Other	5,049	4,685
	\$ 11,181	\$ 11,532

6. Long-term Debt

A summary of long-term debt follows (dollars in thousands).

	January 28, 1996	April 30, 1995
Industrial revenue bonds	\$ 15,712	\$ 15,787
Revolving credit lline	20,500	10,000
Term loan	37,000	41,500
Subordinated note payable	1,000	1,000
Convertible note payable	5,455	5,455
	79,667	73,742
Less current maturities	(11,555)	(11,555)
	\$ 68,112	\$ 62,187

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The company has a loan agreement with two banks, which provides for a \$44,000,000 seven-year term loan and a \$33,500,000 revolving credit line. The revolving credit line has a six-year term, or can be terminated by either of the participating banks upon a thirteen-month notice to the company.

In connection with the purchase of Rayonese Textile Inc., the company issued a convertible note payable of \$5,455,000 bearing interest at 6.0%. The note is payable on March 6, 1998 or upon 45 days notice to the company by the holders starting on March 6, 1996 and is secured by the stock and assets of Rayonese. Due to the holders' 45-day notice provision, the convertible note is classified as a current maturity in the accompanying consolidated financial statements. At the option of the holder after March 6, 1996, the note is convertible into the company's common stock at a conversion price of \$12.50 per share. The note is not redeemable at the option of the company.

The company's loan agreements require, among other things, that the company maintain certain financial ratios. At January 28, 1996, the company was in compliance with these required covenants.

At January 28, 1996, the company had five interest rate swap agreements with two banks in order to reduce its exposure to floating interest rates on a portion of its variable rate borrowings.

The following table summarizes certain data regarding the interest rate swaps:

notional amount	interest rate	expiration date
\$ 2,500,000	6.4%	July 1996
220,000	7.6%	July 1996
15,000,000	7.3%	April 2000
5,000,000	6.9%	June 2002
5,000,000	6.6%	July 2002

The estimated amount at which the company could have terminated these agreements as of January 28, 1996 is approximately \$1,250,000. Net amounts paid under these agreements increased interest expense for the nine months ended January 28, 1996 and January 29, 1995 by approximately \$196,000 and \$112,000, respectively. Management believes the risk of incurring losses resulting from the inability of the bank to fulfill its obligation under the interest rate swap agreements to be remote and that any losses incurred would be immaterial.

7. Acquisition

On March 6, 1995, the company acquired Rayonese Textile Inc. (Rayonese), a manufacturer of home furnishings fabrics based near Montreal, Canada. The transaction has a preliminary estimated value of approximately \$10.5 million and included the purchase of 100% of the Rayonese common stock and the assumption of Rayonese's funded debt.

The acquisition was accounted for as a purchase, and accordingly, the purchase price has been allocated to the assets acquired and the liabilities assumed based on their estimated fair values at the date of acquisition.

Culp, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The preliminary estimated fair values of assets and retained liabilities acquired are summarized below (dollars in thousands):

	March 6, 1995
Accounts receivable, net	\$ 2,195
Inventories	1,878
Other current assets	39
Property, plant and equipment	3,965
Goodwill	5,034
Accounts payable and accrued expenses	(2,656)
	\$ 10,455

8. Cash Flow Information

Payments for interest and income taxes during the period were (dollars in thousands)

	1996	1995
Interest	\$ 3,990	\$ 3,401
Income taxes	3,148	3,055

9. Foreign Exchange Forward Contracts

The company generally enters into foreign exchange forward and option contracts as a hedge against its exposure to currency fluctuations on firm commitments to purchase certain machinery and equipment and raw materials. The company does not engage in foreign currency speculation. Machinery and equipment and raw material purchases hedged by foreign exchange forward or option contracts are valued by using the exchange rate of the applicable foreign exchange forward or option contract. At January 28, 1996, the company had approximately \$750,000 of foreign exchange forward or option contracts outstanding.

CULP, INC.
 SALES BY BUSINESS UNIT
 FOR THREE MONTHS AND NINE MONTHS ENDED JANUARY 28, 1996
 AND JANUARY 29, 1995

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)					
Business Units	Amounts			Percent of Total Sales	
	January 28, 1996	January 29, 1995	% Over (Under)	1996	1995
Upholstery Fabrics					
Flat Wovens					
Existing Culp	\$ 20,685	20,940	(1.2) %	23.9 %	26.9 %
Rossville/Chromatex	18,567	16,397	13.2 %	21.5 %	21.1 %
	-----	-----	-----	-----	-----
	39,252	37,337	5.1 %	45.4 %	48.0 %
Velvets/Prints	31,836	28,307	12.5 %	36.8 %	36.4 %
	-----	-----	-----	-----	-----
	71,088	65,644	8.3 %	82.2 %	84.4 %
Mattress Ticking	15,388 *	12,147	26.7 %	17.8 %	15.6 %
	-----	-----	-----	-----	-----
	\$ 86,476	77,791	11.2 %	100.0 %	100.0 %
	=====	=====	=====	=====	=====

NINE MONTHS ENDED (UNAUDITED)					
Business Units	Amounts			Percent of Total Sales	
	January 28, 1996	January 29, 1995	% Over (Under)	1996	1995
Upholstery Fabrics					
Flat Wovens					
Existing Culp	\$ 60,984	63,387	(3.8) %	24.4 %	28.5 %
Rossville/Chromatex	51,885	47,295	9.7 %	20.8 %	21.2 %
	-----	-----	-----	-----	-----
	112,869	110,682	2.0 %	45.2 %	49.7 %
Velvets/Prints	87,440	75,390	16.0 %	35.0 %	33.9 %
	-----	-----	-----	-----	-----
	200,309	186,072	7.7 %	80.3 %	83.6 %
Mattress Ticking	49,196 *	36,513	34.7 %	19.7 %	16.4 %
	-----	-----	-----	-----	-----
	\$ 249,505	222,585	12.1 %	100.0 %	100.0 %
	=====	=====	=====	=====	=====

* Includes Rayonese shipments of \$1,910 for the three months and \$5,732 for the nine months. The percent increase in sales without Rayonese was 11.0% for the three months and 19.1% for the nine months.

CULP, INC.
EXPORT AND FOREIGN SALES BY GEOGRAPHIC AREA
FOR THREE MONTHS AND NINE MONTHS ENDED JANUARY 28, 1996
AND JANUARY 29, 1995

(AMOUNTS IN THOUSANDS)

THREE MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts			Percent of Total Sales	
	JANUARY 28, 1996	January 29, 1995	% Over (Under)	1996	1995
	North America (Excluding USA)	\$ 5,488	3,412	60.8 %	28.9 %
Europe	5,590	6,047	(7.6) %	29.5 %	40.8 %
Middle East	2,383	1,738	37.1 %	12.6 %	11.7 %
Far East & Asia	2,738	2,008	36.4 %	14.4 %	13.6 %
South America	320	490	(34.7) %	1.7 %	3.3 %
All other areas	2,451	1,123	118.3 %	12.9 %	7.6 %
	<u>\$ 18,970 *</u>	<u>14,818</u>	<u>28.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

NINE MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts			Percent of Total Sales	
	JANUARY 28, 1996	January 29, 1995	% Over (Under)	1996	1995
	North America (Excluding USA)	\$ 16,275	11,204	45.3 %	30.7 %
Europe	13,072	12,937	1.0 %	24.7 %	31.9 %
Middle East	7,933	4,506	76.1 %	15.0 %	11.1 %
Far East & Asia	7,578	6,139	23.4 %	14.3 %	15.2 %
South America	1,163	1,674	(30.5) %	2.2 %	4.1 %
All other areas	6,941	4,049	71.4 %	13.1 %	10.0 %
	<u>\$ 52,962 *</u>	<u>40,509</u>	<u>30.7 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

* INCLUDES RAYONESE SHIPMENTS OF \$1,910 FOR THE THREE MONTHS AND \$5,732 FOR THE NINE MONTHS. THE PERCENT INCREASE IN SALES WITHOUT RAYONESE WAS 15.1% FOR THE THREE MONTHS AND 16.6% FOR THE NINE MONTHS.

Culp, Inc.
 SALES BY BUSINESS UNIT - TREND ANALYSIS
 1994 vs 1995 vs 1996

(Amounts in thousands)

Business Units	Fiscal 1994					Fiscal 1995					Fiscal 1996				
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
Upholstery Fabrics															
Flat Wovens															
Culp Textures	\$17,444	20,073	19,673	21,127	78,317	19,613	22,834	20,940	21,738	85,125	17,584	22,715	20,685		60,984
Rossville/ Chromatex	0	0	14,330	16,717	31,047	15,140	15,758	16,397	16,470	63,765	15,358	17,960	18,567		51,885
	17,444	20,073	34,003	37,844	109,364	34,753	38,592	37,337	38,208	148,890	32,942	40,675	39,252	0	112,869
Velvets/Prints	20,888	24,518	23,714	27,916	97,036	20,644	26,439	28,307	31,413	106,803	23,523	32,081	31,836		87,440
	38,332	44,591	57,717	65,760	206,400	55,397	65,031	65,644	69,621	255,693	56,465	72,756	71,088	0	200,309
Mattress Ticking	8,251	9,395	9,531	11,472	38,649	10,952	13,414	12,147	15,820	52,333	15,892	17,916	15,388		49,196
	\$46,583	53,986	67,248	77,232	245,049	66,349	78,445	77,791	85,441	308,026	72,357	90,672	86,476	0	249,505

Percent increase(decrease) from prior year:

Business Units	Percent increase(decrease) from prior year:														
Upholstery Fabrics															
Flat Wovens															
Culp Textures	(6.5)	(5.2)	3.8	0.3	(1.9)	12.4	13.8	6.4	2.9	8.7	(10.3)	(0.5)	(1.2)		(3.8)
Rossville/ Chromatex	N/A	N/A	N/A	N/A	N/A	100.0	100.0	14.4	(1.5)	105.4	1.4	14.0	13.2		9.7
	(6.5)	(5.2)	79.4	79.7	37.0	99.2	92.3	9.8	1.0	36.1	(5.2)	5.4	5.1		2.0
Velvets/Prints	7.4	16.5	10.0	8.3	10.5	(1.2)	7.8	19.4	12.5	10.1	13.9	21.3	12.5		16.0
	0.6	5.7	42.5	40.4	23.1	44.5	45.8	13.7	5.9	23.9	1.9	11.9	8.3		7.7
Mattress Ticking	7.5	10.4	27.6	21.2	16.7	32.7	42.8	27.4	37.9	35.4	45.1	33.6	26.7		34.7
	1.7	6.4	40.2	37.2	22.0	42.4	45.3	15.7	10.6	25.7	9.1	15.6	11.2		12.1

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following analysis of the financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and Notes thereto included elsewhere in this report.

Overview

For the three months ended January 28, 1996, net sales were \$86.5 million, up 11% from \$77.8 million in the year-earlier period. Net income for the quarter totaled \$2.4 million, or \$0.22 per share, compared with \$2.1 million, or \$0.19 per share, for the third quarter of fiscal 1995. Of the increase of \$8.7 million in sales, \$1.9 million was attributable to the contribution from Rayonese Textile which was acquired during the fourth quarter of fiscal 1995. (See text below.) The increase in sales, excluding that contribution, primarily reflected increased exports of upholstery fabrics. Shipments of upholstery fabrics and mattress ticking to U.S.-based manufacturers experienced a moderate increase from a year ago. Increased exports also were a primary factor accounting for the gain in sales for the nine months ended January 28, 1996 to \$249.5 million, up 12% from \$222.6 million in the first nine months of fiscal 1995. Sales to U.S.-based customers have also increased through the nine months, but at a slower rate than export sales. Although the historically low level of home mortgage rates appears to support a positive outlook for the demand for home furnishings, the uncertainty regarding consumer confidence is continuing to lead manufacturers and retailers to contain inventories.

Rayonese Textile Inc. Acquisition

On March 6, 1995, the company completed the acquisition of Rayonese Textile Inc. The transaction has a preliminary estimated value of approximately \$10.5 million and includes the purchase of 100% of the Rayonese common stock and the assumption of Rayonese's funded debt. The acquisition is described in more detail elsewhere in this report and in the company's filing with the Securities and Exchange Commission on Form 8-K filed December 23, 1994. Also see footnote 7 to the Consolidated Financial Statements.

Analysis of Operations

The table below sets forth certain items in the Consolidated Statements of Income as a percentage of net sales. Income taxes are expressed as a percentage of income before income taxes.

	Three Months Ended		Nine Months Ended	
	January 28, 1996	January 29, 1995	January 28, 1996	January 29, 1995
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of Sales	82.6	83.3	82.6	82.8
Gross profit	17.4	16.7	17.4	17.2
Selling, general and administrative expenses	11.1	10.7	11.1	10.9
	----	----	----	----
Income from operations	6.2	6.1	6.2	6.3
Interest expense	1.5	1.4	1.6	1.5
Interest income	0.0	0.0	0.0	0.0
Other expense (income), net	0.3	0.3	0.2	0.3
	----	----	----	----
Income before income taxes	4.4	4.3	4.4	4.6
Income taxes (*)	37.2	37.5	37.1	37.5
	----	----	----	----
Net Income	2.8%	2.7%	2.8%	2.9%
	=====	=====	=====	=====

(*) Calculated as a percent of income before income taxes

Three And Nine Months Ended January 28, 1996 Compared With Three Months And Nine Months Ended January 29, 1995

Sales by major business unit and export and foreign sales by geographic area for the three and nine months are set forth in separate schedules on pages I-9 and I-10.

Sales of upholstery fabrics for the third quarter were up \$5.4 million from a year ago. Although sales of flat wovens were up for the third quarter, sales of these fabrics were essentially unchanged for the first nine months compared with a year ago. Sales of velvets/prints were up 13% for the third quarter, continuing the positive trend from the first half. The gain in sales of mattress ticking

for the third quarter primarily reflected higher shipments to existing accounts and, to a lesser degree, a contribution of \$1.9 million from Rayonese Textile, which was acquired on March 6, 1995. Exports and international sales, consisting primarily of upholstery fabrics, increased 28% for the quarter to \$19.0 million compared with \$14.8 million in the year-earlier period. Sales of Rayonese Textile are categorized by the company as exports and added to the increase on a year-to-year basis for the third quarter and first nine months. The base of the company's international customers is continuing to broaden, and sales to each major geographic area except South America was up through the first nine months.

Gross profit increased as a percentage of net sales for the third quarter due principally to higher capacity utilization in the velvets/prints business unit and, to a lesser degree, to shipments of higher margin fabrics to export customers. Additionally, a price increase was implemented during the second quarter to offset the impact of higher prices for raw materials.

Selling, general and administrative expenses as a percentage of net sales rose slightly for the third quarter and first nine months. Although the company is continuing to emphasize cost-containment programs, planned increases in expenses have occurred related to the design of new fabrics and to the company's investment in increased marketing resources.

Net interest expense for the third quarter increased to \$1.3 million compared with \$1.1 million in the year-earlier period. The increase for the quarter as well as the first nine months principally reflected additional borrowings related to funding the acquisition of Rayonese Textile, capital expenditures and the higher levels of working capital needed to support the increase in sales.

The effective tax rate for the third quarter declined to 37.2% compared with 37.5%. The lower tax rate for the quarter and first nine months was primarily due to a higher percentage of income from international operations which are taxed at a lower rate.

Liquidity and Capital Resources

The company continues to maintain a sound financial position. Funded long- and short-term debt increased to \$79.7 million at the close of the third quarter, up from \$72.9 million at the close of fiscal 1995. As a percentage of total capital (debt plus total shareholders' equity), the company's debt amounted to 50.6% as of January 28, 1996, up slightly from the end of fiscal 1995. The company's current ratio as of January 28, 1996 was 2.1 compared with 1.7 as of April 30, 1995. Shareholders' equity increased to \$77.6 million as of January 28, 1996 compared with \$71.4 million at the end of fiscal 1995.

Because of seasonal factors, the company typically generates the majority of its cash from operating activities during the second fiscal half. During the first nine months of fiscal 1996, funds provided from operations totaled \$2.1 million. Borrowings of \$10.5 million under a revolving credit agreement were used to fund capital expenditures and scheduled long-term debt payments during the first nine months.

The company's borrowings are through financing arrangements with two banks which provide for a term loan of \$44.0 million and a revolving credit agreement of \$33.5 million. As of January 28, 1996, the company had \$13.0 million in borrowings available under the revolving credit agreement.

Capital expenditures through the first nine months totaled \$7.7 million. The capital expenditure budget for the full year, which was increased during the first half because of the acceleration of a major project, is \$15.5 million. The company believes that cash flows from operations and funds available under existing credit facilities will be sufficient to fund capital expenditures as well as financing needs related to operations during the remainder of fiscal 1996.

The \$5.5 million convertible note payable which was issued in connection with the acquisition of the Rayonese Textile Inc. has been called by the holder. The company plans to repay the note payable during March, 1996 with funds from its bank credit facilities.

Inflation

The company is experiencing higher raw material costs as well as increases in the expense of other operating items. Competitive conditions made it difficult for the company to offset these higher costs, and operating profit margins declined in both the first and second quarters. A price increase implemented during the second quarter has helped improve the company's profitability, but continuing pressure on margins may occur over the remainder of fiscal 1996 and into fiscal 1997.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

There are no legal proceedings that are required to be disclosed under this item.

Item 2. Change in Securities

None

Item 3. Default Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of this report or incorporated by reference.

- 3(i) Articles of Incorporation of the company, as amended, were filed as Exhibit 3(i) to the company's Form 10-Q for the quarter ended January 29, 1995, filed March 15, 1995, and are incorporated herein by reference.
- 3(ii) Restated and Amended Bylaws of the company, as amended, were filed as Exhibit 3(b) to the company's Form 10-K for the year ended April 28, 1991, filed July 25, 1991, and are incorporated herein by reference.
- 10(a) Loan Agreement dated December 1, 1988 with Chesterfield County, South Carolina relating to Series 1988 Industrial Revenue Bonds in the principal amount of \$3,377,000 and related Letter of Credit and Reimbursement Agreement dated December 1, 1988 with First Union National Bank of North Carolina were filed as Exhibit 10(n) to the company's Form 10-K for the year ended April 29, 1989, and are incorporated herein by reference.

- 10(b) Loan Agreement dated November 1, 1988 with the Alamance County Industrial Facilities and Pollution Control Financing Authority relating to Series A and B Industrial Revenue Refunding Bonds in the principal amount of \$7,900,000, and related Letter of Credit and Reimbursement Agreement dated November 1, 1988 with First Union National Bank of North Carolina were filed as exhibit 10(o) to the company's Form 10-K for the year ended April 29, 1990, and are incorporated herein by reference.
- 10(c) Loan Agreement dated January, 1990 with the Guilford County Industrial Facilities and Pollution Control Financing Authority, North Carolina, relating to Series 1989 Industrial Revenue Bonds in the principal amount of \$4,500,000, and related Letter of Credit and Reimbursement Agreement dated January 5, 1990 with First Union National Bank of North Carolina was filed as Exhibit 10(d) to the company's Form 10-K for the year ended April 19, 1990, filed on July 15, 1990, and is incorporated herein by reference.
- 10(d) Loan Agreement dated as of December 1, 1993 between Anderson County, South Carolina and the company relating to \$6,580,000 Anderson County, South Carolina Industrial Revenue Bonds (Culp, Inc. Project) Series 1993, and related Letter of Credit and Reimbursement Agreement dated as of December 1, 1993 by and between the company and First Union National Bank of North Carolina were filed as Exhibit 10(o) to the Company's Form 10-Q for the quarter ended January 30, 1994, filed March 16, 1994, and is incorporated herein by reference.
- 10(e) Severance Protection Agreement, dated September 21, 1989, was filed as Exhibit 10(f) to the company's Form 10-K for the year ended April 29, 1990, filed on July 25 1990, and is incorporated herein by reference.
- 10(f) Lease Agreement, dated January 19, 1990, with Phillips Interests, Inc. was filed as Exhibit 10(g) to the company's Form 10-K for the year ended April 29, 1990, filed on July 25, 1990, and is incorporated herein by reference.
- 10(g) Lease Agreement, dated September 6, 1988, with Partnership 74 was filed as Exhibit 10(h) to the company's Form 10-K for the year ended April 28, 1991, filed on July 25, 1990, and is

incorporated herein by reference.

- 10(h) Amendment and Restatement of the Employees's Retirement Builder Plan of the company dated May 1, 1981 with amendments dated January 1, 1990 and January 8, 1990 were filed as Exhibit 10(p) to the company's Form 10-K for the year ended May 3, 1992, filed on August 4, 1992, and is incorporated herein by reference.
- 10(i) First Amendment of Lease Agreement dated July 27, 1992 with Partnership 74 Associates was filed as Exhibit 10(n) to the company's Form 10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference.
- 10(j) 1993 Stock Option Plan was filed as Exhibit 10(o) to the company's Form 10-K for the year ended May 2, 1993, filed on July 29, 1993, and is incorporated herein by reference.
- 10(k) First Amendment to Loan Agreement dated as of December 1, 1993 by and between The Guilford County Industrial Facilities and Pollution Control Financing Authority and the company, and related Reimbursement and Security Agreement dated as of December 1, 1993 between the company and Wachovia Bank of North Carolina, National Association was filed as Exhibit 10(p) to the company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.
- 10(l) First Amendment to Loan Agreement dated as of December 16, 1993 by and between The Alamance County Industrial Facilities and Pollution Control Financing Authority and the company, and related First Amendment to Letter of Credit and Reimbursement Agreement dated as of December 16, 1993 between First Union National Bank of North Carolina and the company was filed as Exhibit 10(q) to the company's Form 10-Q filed, filed on March 15, 1994, and is incorporated herein by reference.
- 10(m) First Amendment to Loan Agreement dated as of December 16, 1993 by and between Chesterfield County, South Carolina and the company, and related First Amendment to Letter of Credit and Reimbursement Agreement dated as of December 16, 1993 by and between First Union National Bank of North Carolina and the company was filed as Exhibit 10(r) to the company's Form 10-Q, filed on March 15, 1994, and is incorporated herein by reference.

- 10(n) Interest Rate Swap Agreements between company and NationsBank of Georgia (formerly The Citizens and Southern National Bank) dated July 14, 1989 were filed as Exhibit 10(t) to the company's Form 10-K, filed on July 27, 1994, and are incorporated herein by reference.
- 10(o) Amendment to Lease dated as of November 4, 1994, by and between the company and RDC, Inc. was filed as Exhibit 10(w) to the company's Form 10-Q, for the quarter ended January 29, 1995, filed on March 15, 1995, and is incorporated herein by reference.
- 10(p) Amendment to Lease Agreement dated as of December 14, 1994, by and between the company and Rossville Investments, Inc. (formerly known as A & E Leasing, Inc.) was filed as Exhibit 10(y) to the company's Form 10-Q, for the quarter ended January 29, 1995, filed on March 15, 1995, and is incorporated herein by reference.
- 10(q) Interest Rate Swap Agreement between company and First Union National Bank of North Carolina dated April 17, 1995, was filed as Exhibit 10(aa) to the company's Form 10-K for the year ended April 30, 1995, filed on July 26, 1995, and is incorporated herein by reference.
- 10(r) Performance-Based Stock Option Plan, dated June 21, 1994, was filed as Exhibit 10(bb) to the company's Form 10-K for the year ended April 30, 1995, filed on July 26, 1995, and is incorporated herein by reference.
- 10(s) Interest Rate Swap Agreement between company and First Union National Bank of North Carolina, dated May 31, 1995 was filed as exhibit 10(w) to the company's Form 10-Q for the quarter ended July 30, 1995, filed on September 12, 1995, and is incorporated herein by reference.
- 10(t) Interest Rate Swap Agreement between company and First Union National Bank of North Carolina, dated July 7, 1995 was filed as exhibit 10(x) to the company's Form 10-Q for the quarter ended July 30, 1995, filed on September 12, 1995, and is incorporated herein by reference.
- 10(u) 1995 Amended and Restated Credit Agreement by and among Culp, Inc., First Union National Bank of North Carolina and Wachovia Bank of North Carolina, N.A., dated July 1, 1995 was filed as exhibit 10(y) to the company's Form 10-Q for the quarter ended July 30, 1995, filed on September 12, 1995, and is

incorporated herein by reference.

- 10(v) Copy of Second Amendment of Lease Agreement dated June 15, 1994 with Partnership 74 Associates was filed as Exhibit 10(v) to the company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.
- 10(w) Copy of Lease Agreement dated November 1, 1993 by and between the company and Chromatex, Inc. was filed as Exhibit 10(w) to the company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.
- 10(x) Copy of Lease Agreement dated November 1, 1993 by and between the company and Chromatex Properties, Inc. was filed as Exhibit 10(x) to the company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.
- 10(y) Copy of Amendment to Lease Agreement dated May 1, 1994 by and between the company and Chromatex Properties, Inc. was filed as Exhibit 10(y) to the company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.
- 10(z) Copy of Canada-Quebec Subsidiary Agreement on Industrial Development (1991), dated January 4, 1995, was filed as Exhibit 10(z) to the company's Form 10-Q for the quarter ended October 29, 1995, filed on December 12, 1995, and is incorporated herein by reference.
- 27 Financial Data Schedule.

(b) Reports on Form 8-K:

The following report on Form 8-K was filed during the period covered by this report:

- (1) Form 8-K dated November 9, 1995, included under Item 5, Other Events, disclosure of the company's press release for quarterly earnings and the company's Financial Information Release relating to the financial information for the second quarter ended October 29, 1995.

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 thereunto duly authorized.

CULP, INC.
(Registrant)

Date: March 12, 1996 By: s/s Franklin N. Saxon

Franklin N. Saxon
Vice President and
Chief Financial Officer

(Authorized to sign on behalf
of the registrant and also
signing as principal financial
officer)

Date: March 12, 1996 By: s/s Stephen T. Hancock

Stephen T. Hancock
General Accounting Manager
(Chief Accounting Officer)

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MAY-01-1995
JAN-28-1996
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