

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) November 12, 1997

CULP, INC.

(Exact name of registrant as specified in its charter)

North Carolina	0-12781	56-1001967
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification No.)

101 South Main Street
High Point, North Carolina 27260
(Address of principal executive offices)
(910) 889-5161
(Registrant's telephone number, including area code)

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

Item 5. Other Events

See attached Press Release (2 pages) and Financial Information Release (11 pages), both dated November 12, 1997, related to the quarter ended November 2, 1997.

Forward Looking Information. The discussion in this Form 8-K may contain statements that could be deemed forward-looking statements, which are inherently subject to risks and uncertainties. These statements are often characterized by qualifying words such as "expect," "believe," "estimate," "plan" and "project" and their derivatives. Factors that could influence the matters discussed include the level of housing starts and sales of existing homes, consumer confidence, trends in disposable income, and general economic conditions. Decreases in these economic indicators could have a negative effect on the company's business and prospects. Likewise, increases in interest rates, particularly home mortgage rates, and increases in consumer debt or the general rate of inflation, could adversely affect the company.

SIGNATURES

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

CULP, INC.
(Registrant)

By: Franklin N. Saxon
Senior Vice President and
Chief Financial Officer

By: Stephen T. Hancock
Stephen T. Hancock
General Accounting Manager

Dated: November 12, 1997

FOR IMMEDIATE RELEASE

CULP REPORTS INCREASED SECOND QUARTER SALES AND EARNINGS

NET INCOME RISES 21% TO NEW SECOND-QUARTER RECORD

HIGH POINT, N.C. (November 12, 1997) Culp, Inc. (NYSE: CFI) today reported sales and earnings for the second quarter and first half of its 1998 fiscal year.

For the three months ended November 2, 1997, Culp reported that net sales increased 17% to \$122.9 million compared with \$105.2 million a year ago. Net income for the quarter increased 21% to \$4.5 million compared with \$3.7 million. Earnings per share increased 9% to \$0.36 on 12.7 million average shares outstanding versus \$0.33 per share on 11.3 million average shares outstanding.

The gains for the second quarter brought net sales for the first half to \$222.4 million, up 14% from \$195.7 million in the first six months of fiscal 1997. Net income for the first half increased to \$7.4 million compared with \$5.9 million. Earnings per share rose 12% to \$0.58 on 12.6 million average shares outstanding versus \$0.52 per share on 11.3 million average shares outstanding in the year-earlier period.

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

The Company noted that \$10.7 million of the increase in net sales for the second quarter is attributable to the Phillips Mills acquisition, which was completed at the beginning of the second quarter.

"These results marked the 20th consecutive quarter of record earnings versus the comparable year-earlier period," said Robert G. Culp, III, chief executive officer. "We are particularly pleased with the higher net sales and earnings considering the slower growth in demand that we have experienced thus far this year, particularly for certain categories of upholstery fabrics from U.S.-based residential furniture customers. We had not expected business to be as robust this year, and our results appear generally to mirror industry-wide trends. We did achieve a 10% gain in sales to U.S.-based accounts during the second quarter, aided by continuing gains from our Home Fashions business unit, and the incremental sales from the Phillips Mills acquisition. Our sales of mattress ticking are up significantly from a year ago, reflecting the success of the wider variety of new textures and patterns that we are introducing. Sales from our Home Fashions group are also benefiting from Culp's ongoing capital investment program and, in particular, projects that have substantially increased our capacity for manufacturing wide jacquard unfinished goods. The success we are having in expanding this portion of our business relates both to the value of our new designs and a consistent ability to meet customers' delivery schedules."

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Culp added, "The momentum in our international business remains positive. Shipments to customers outside the United States increased 36% for the second quarter and accounted for 29% of net sales. We are benefiting from a stronger competitive presence in established markets such as Europe and the Middle East and from greater penetration into faster growing regions such as Asia and the Far East.

"A highlight of Culp's progress thus far in fiscal 1998 has been the results of our ongoing initiative to pursue complementary acquisitions. The performance for the second quarter includes the initial contribution from the assets we acquired from Phillips Mills in August. The assimilation of these additional resources is proceeding as planned. A main factor driving that transaction was the ability to broaden our marketing base, especially in upholstery fabrics for motion and other casual styles of furniture. The agreement signed last month to acquire Artee Industries principally represents a means to further our vertical integration. The addition of Artee's WrapSpun™, open-end spun and chenille yarns will also support the accelerated design initiatives of each of our business units to produce fabrics that embody innovative textures and styles. An important aspect of our strategic planning is maintaining the financial resources that will enable us to consider future opportunities for other acquisitions."

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

CULP, INC.
Condensed Financial Highlights
(Unaudited)

Three Months Ended

	November 2, 1997	October 27, 1996	
Net sales	\$ 122,926,000	\$ 105,204,000	
Net income	\$ 4,505,000	\$ 3,710,000	
Earnings per share	\$ 0.36	\$ 0.33	
Average shares outstanding	12,668,000	11,312,000	

Six Months Ended

	November 2, 1997	October 27, 1996	
Net sales	\$ 222,424,000	\$ 195,733,000	
Net income	\$ 7,355,000	\$ 5,920,000	
Earnings per share	\$ 0.58	\$ 0.52	
Average shares outstanding	12,649,000	11,304,000	

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CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED INCOME STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED NOVEMBER 2, 1997 AND OCTOBER 27, 1996

(Amounts in Thousands, Except for Per Share Data)

THREE MONTHS ENDED (UNAUDITED)					
	Amounts			Percent of Sales	
	November 2, 1997	October 27, 1996	% Over (Under)	1998	1997
Net sales	\$ 122,926	105,204	16.8 %	100.0 %	100.0 %
Cost of sales	100,191	86,082	16.4 %	81.5 %	81.8 %
Gross profit	22,735	19,122	18.9 %	18.5 %	18.2 %
Selling, general and administrative expenses	13,632	11,704	16.5 %	11.1 %	11.1 %
Income from operations	9,103	7,418	22.7 %	7.4 %	7.1 %
Interest expense	1,820	1,242	46.5 %	1.5 %	1.2 %
Interest income	(72)	(60)	20.0 %	(0.1) %	(0.1) %
Other expense (income), net	425	301	41.2 %	0.3 %	0.3 %
Income before income taxes	6,930	5,935	16.8 %	5.6 %	5.6 %
Income taxes *	2,425	2,225	9.0 %	35.0 %	37.5 %
Net income	\$ 4,505	3,710	21.4 %	3.7 %	3.5 %
Average shares outstanding	12,668	11,312	12.0 %		
Net income per share	\$0.36	\$0.33	9.1 %		
Dividends per share	\$0.0350	\$0.0325	7.7 %		

SIX MONTHS ENDED (UNAUDITED)					
	Amounts			Percent of Sales	
	November 2, 1997	October 27, 1996	% Over (Under)	1998	1997
Net sales	\$ 222,424	195,733	13.6 %	100.0 %	100.0 %
Cost of sales	182,956	160,691	13.9 %	82.3 %	82.1 %
Gross profit	39,468	35,042	12.6 %	17.7 %	17.9 %
Selling, general and administrative expenses	24,548	22,568	8.8 %	11.0 %	11.5 %
Income from operations	14,920	12,474	19.6 %	6.7 %	6.4 %
Interest expense	3,100	2,424	27.9 %	1.4 %	1.2 %
Interest income	(162)	(117)	38.5 %	(0.1) %	(0.1) %
Other expense (income), net	667	696	(4.2) %	0.3 %	0.4 %
Income before income taxes	11,315	9,471	19.5 %	5.1 %	4.8 %
Income taxes *	3,960	3,551	11.5 %	35.0 %	37.5 %
Net income	\$ 7,355	5,920	24.2 %	3.3 %	3.0 %
Average shares outstanding	12,649	11,304	11.9 %		
Net income per share	\$0.58	\$0.52	11.5 %		
Dividends per share	\$0.0700	\$0.0650	7.7 %		

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

CULP, INC. FINANCIAL INFORMATION RELEASE
CONSOLIDATED BALANCE SHEETS
NOVEMBER 2, 1997, OCTOBER 27, 1996 AND APRIL 27, 1997

(Unaudited, Amounts in Thousands)

	Amounts		Increase		* April 27, 1997
	November 2,	October 27,	(Decrease)		
	1997	1996	Dollars	Percent	
Current assets					
Cash and cash investments	\$ 1,209	744	465	62.5 %	830
Accounts receivable	74,314	52,202	22,112	42.4 %	56,691
Inventories	70,192	52,300	17,892	34.2 %	53,463
Other current assets	6,136	3,697	2,439	66.0 %	5,450
Total current assets	151,851	108,943	42,908	39.4 %	116,434
Restricted investments	8,258	5,379	2,879	53.5 %	11,018
Property, plant & equipment, net	107,377	80,316	27,061	33.7 %	91,231
Goodwill	49,778	22,568	27,210	120.6 %	22,262
Other assets	3,715	2,321	1,394	60.1 %	3,007
Total assets	\$ 320,979	219,527	101,452	46.2 %	243,952
Current Liabilities					
Current maturities of long-term dept	\$ 100	7,100	(7,000)	(98.6)%	100
Accounts payable	36,709	26,936	9,773	36.3 %	29,903
Accrued expenses	15,175	16,841	(1,666)	(9.9) %	15,074
Income taxes payable	1,034	836	198	23.7 %	1,580
Total current liabilities	53,018	51,713	1,305	2.5 %	46,657
Long-term debt	139,991	72,891	67,100	92.1 %	76,541
Deferred income taxes	9,965	8,088	1,877	23.2 %	9,965
Total liabilities	202,974	132,692	70,282	53.0 %	133,163
Shareholders' equity	118,005	86,835	31,170	35.9 %	110,789
Total liabilities and shareholders' equity	\$ 320,979	219,527	101,452	46.2 %	243,952
Shares outstanding	12,687	11,339	1,348	11.9 %	12,609

* Derived from audited financial statements.

CULP, INC.
 FINANCIAL INFORMATION RELEASE
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE SIX MONTHS ENDED NOVEMBER 2, 1997 AND OCTOBER 27, 1996
 (Unaudited, Amounts in Thousands)

	SIX MONTHS ENDED	
	Amounts	
	November 2, 1997	October 27, 1996
	-----	-----
Cash flows from operating activities:		
Net income	\$ 7,355	5,920
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	6,869	6,321
Amortization of intangible assets	533	444
Provision for deferred income taxes	0	0
Changes in assets and liabilities, net of the effects business acquired:		
Accounts receivable	(17,623)	(164)
Inventories	(11,813)	(4,905)
Other current assets	(686)	470
Other assets	(188)	(22)
Accounts payable	10,668	3,220
Accrued expenses	295	4,277
Income taxes payable	(546)	639
Net cash provided by (used in) operating activities	(5,136)	16,200
Cash flows from investing activities:		
Capital expenditures	(19,216)	(9,676)
Purchases of restricted investments	(8,662)	(107)
Purchase of investments to fund deferred compensation liability	(581)	0
Sale of restricted investments	11,422	2
Business acquired	(36,628)	0
Net cash used in investing activities	(53,665)	(9,781)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	63,500	1,000
Principal payments on long-term debt	(50)	(3,050)
Change in accounts payable-capital expenditures	(3,862)	(3,592)
Dividends paid	(889)	(735)
Proceeds from common stock issued	481	204
Net cash provided by (used in) financing activities	59,180	(6,173)
Increase in cash and cash investments	379	246
Cash and cash investments at beginning of period	830	498
Cash and cash investments at end of period	\$ 1,209	744

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL ANALYSIS
NOVEMBER 2, 1997

	FISCAL 97		FISCAL 98			LTM
	Q2	Q1	Q2	Q3	Q4	
INVENTORIES						
Inventory turns	6.6	5.8	6.1			
RECEIVABLES						
Days sales in receivables	45	50	55			
Percent current & less than 30 days past due	99.9%	95.0%	97.8%			
WORKING CAPITAL						
Current ratio	2.1	3.6	2.9			
Working capital turnover	5.4	5.1	4.8			
Working capital	\$57,230	\$88,969	\$98,833			
Working capital as a % of sales (4)	18.4%	23.8%	21.9%			
PROPERTY, PLANT & EQUIPMENT						
Depreciation rate	8.1%	7.1%	7.4%			
Percent property, plant & equipment are depreciated	48.6%	46.8%	45.3%			
Capital expenditures	\$26,958 (1)	\$9,153	\$10,063			
PROFITABILITY						
Net profit margin	3.5%	2.9%	3.7%			3.6%
Gross profit margin	18.2%	16.8%	18.5%			18.1%
Operating income margin	7.1%	5.8%	7.4%			7.0%
SG & A expenses/net sales	11.1%	11.0%	11.1%			11.1%
Return on average total capital	9.3%	7.6%	10.0%			9.6%
Return on average equity	17.4%	10.2%	15.6%			14.7%
Earnings per share	\$0.33	\$0.23	\$0.36			\$1.23
LEVERAGE (3)						
Total liabilities/equity	152.8%	123.1%	172.0%			
Funded debt/equity	85.9%	77.4%	111.7%			
Funded debt/capital employed	46.2%	43.6%	52.8%			
Funded debt	\$74,612	\$87,930	\$131,833			
Funded debt/EBITDA (LTM)	1.97	2.18	3.10			
EBITDA/Interest expense, net (LTM)						8.5
OTHER						
Book value per share	\$7.66	\$8.98	\$9.30			
Employees at quarter end	3,098	3,180	3,554			
Sales per employee (annualized)	\$138,000	\$125,000	\$146,000			
Capital employed (3)	\$161,447	\$201,467	\$249,838			
Effective income tax rate	37.5%	35.0%	35.0%			
EBITDA (2)	\$10,540	\$9,012	\$12,643			\$42,516
EBITDA/net sales	10.0%	9.1%	10.3%			10.0%

(1) Expenditures for entire year

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

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

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

(5) LTM represents "Latest Twelve Months"

CULP, INC. FINANCIAL INFORMATION RELEASE
 SALES BY PRODUCT CATEGORY/BUSINESS UNIT
 FOR THREE MONTHS AND SIX MONTHS ENDED NOVEMBER 2, 1997 AND OCTOBER 27, 1996

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)					
Product Category/Business Unit	Amounts			Percent of Total Sales	
	November 2, 1997	October 27, 1996	% Over (Under)	1998	1997
Upholstery Fabrics					
Culp Textures	\$ 24,454	24,001	1.9 %	19.9 %	22.8 %
Rossville/Chromatex	21,602	21,722	(0.6) %	17.6 %	20.6 %
	46,056	45,723	0.7 %	37.5 %	43.5 %
Velvets/Prints	43,928	40,233	9.2 %	35.7 %	38.2 %
Phillips	10,725	0	100.0 %	8.7 %	0.0 %
	100,709	85,956	17.2 %	81.9 %	81.7 %
Mattress Ticking					
Culp Home Fashions	22,217	19,248	15.4 %	18.1 %	18.3 %
	* \$ 122,926	105,204	16.8 %	100.0 %	100.0 %
	=====	=====	=====	=====	=====

SIX MONTHS ENDED (UNAUDITED)					
Product Category/Business Unit	Amounts			Percent of Total Sales	
	November 2, 1997	October 27, 1996	% Over (Under)	1998	1997
Upholstery Fabrics					
Culp Textures	\$ 46,147	44,802	3.0 %	20.7 %	22.9 %
Rossville/Chromatex	39,723	39,887	(0.4) %	17.9 %	20.4 %
	85,870	84,689	1.4 %	38.6 %	43.3 %
Velvets/ Prints	82,325	75,100	9.6 %	37.0 %	38.4 %
Phillips	10,725	0	100.0 %	4.8 %	0.0 %
	178,920	159,789	12.0 %	80.4 %	81.6 %
Mattress Ticking					
Culp Home Fashions	43,504	35,944	21.0 %	19.6 %	18.4 %
	* \$ 222,424	195,733	13.6 %	100.0 %	100.0 %
	=====	=====	=====	=====	=====

*U.S. sales were \$87,622 and \$79,304 for the three months of fiscal 1998 and fiscal 1997, respectively; and \$162,029 and \$149,860 for the six months of fiscal 1998 and fiscal 1997, respectively.
 The percentage increase in U.S. sales was 10 % for the three months and an increase of 8 % for the six months.

CULP, INC. FINANCIAL INFORMATION RELEASE
INTERNATIONAL SALES BY GEOGRAPHIC AREA
FOR THREE MONTHS AND SIX MONTHS ENDED NOVEMBER 2, 1997 AND OCTOBER 27, 1996

(Amounts in thousands)

THREE MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts		% Over (Under)	Percent of Total Sales	
	November 2, 1997	October 27, 1996		1998	1997
North America (Excluding USA) \$	8,162	8,016	1.8 %	23.1 %	30.9 %
Europe	6,624	5,716	15.9 %	18.8 %	22.1 %
Middle East	7,439	5,079	46.5 %	21.1 %	19.6 %
Far East & Asia	9,720	5,019	93.7 %	27.5 %	19.4 %
South America	1,216	632	92.4 %	3.4 %	2.4 %
All other areas	2,143	1,438	49.0 %	6.1 %	5.6 %
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\$	35,304	25,900	36.3 %	100.0 %	100.0 %
	=====	=====	=====	=====	=====

SIX MONTHS ENDED (UNAUDITED)

Geographic Area	Amounts		% Over (Under)	Percent of Total Sales	
	November 2, 1997	October 27, 1996		1998	1997
North America (Excluding USA) \$	15,206	14,073	8.1 %	25.2 %	30.7 %
Europe	11,125	10,483	6.1 %	18.4 %	22.9 %
Middle East	14,003	9,156	52.9 %	23.2 %	20.0 %
Far East & Asia	15,662	8,815	77.7 %	25.9 %	19.2 %
South America	1,462	999	46.3 %	2.4 %	2.2 %
All other areas	2,937	2,347	25.1 %	4.9 %	5.1 %
	-----	-----	-----	-----	-----
\$	60,395	45,873	31.7 %	100.0 %	100.0 %
	=====	=====	=====	=====	=====

International sales, and the percentage of total sales, for each of the last six fiscal years follows: fiscal 1992-\$ 34,094 (18%); fiscal 1993-\$ 40,729 (20%); fiscal 1994-\$ 44,038 (18%); fiscal 1995-\$ 57,971 (19%); fiscal 1996-\$ 77,397 (22%); and fiscal 1997-\$ 101,571 (25%). International sales for the second quarter represented 29% and 25% for 1998 and 1997, respectively. Year-to-date international sales represented 27% and 23% of total sales for 1998 and 1997, respectively.

Certain amounts for fiscal year 1997 have been reclassified to conform with the fiscal year 1998 presentation. Additionally, certain amounts were reclassified from the fiscal year 1998 first quarter presentation.

Culp, Inc.
SALES BY BUSINESS UNIT - TREND ANALYSIS
1996 vs 1997 vs 1998

(Amounts in thousands)

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

Culp, Inc.
SALES BY BUSINESS UNIT - TREND ANALYSIS
1996 vs 1997 vs 1998

(Amounts in thousands)

Product Category/Business Unit	Fiscal 1998				
	Q1	Q2	Q3	Q4	TOTAL
Upholstery Fabrics					
Culp Textures	21,693	24,454			46,147
Rossville/Chromatex	18,121	21,602			39,723
	39,814	46,056			85,870
Velvets/Prints	38,397	43,928			82,325
Phillips		10,725			10,725
	78,211	100,709			178,920
Mattress Ticking					
Culp Home Fashions	21,287	22,217			43,504
	99,498	122,926			222,424

Culp, Inc.
SALES BY BUSINESS UNIT - TREND ANALYSIS
1996 vs 1997 vs 1998

(Amounts in thousands)

Product Category/Business Units	Percent increase(decrease) from prior year:									
	Fiscal 1996					Fiscal 1997				
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL
Upholstery Fabrics										
Culp Textures	(10.3)	(0.5)	(1.2)	7.6	(0.9)	18.3	5.7	(1.4)	(1.6)	4.5 3
Rossville/Chromatex	1.4	14.0	13.2	35.5	16.4	18.3	20.9	2.1	(7.4)	7.2 2)
	(5.2)	5.4	5.1	19.7	6.5	18.3	12.4	0.2	(4.4)	5.8 2
Velvets/Prints	13.9	21.3	12.5	21.8	17.7	48.2	25.4	26.9	7.1	24.5 1

Phillips	-	-	-	-	-	-	-	-	-	-
	1.9	11.9	8.3	20.6	11.2	30.8	18.1	12.2	0.8	14.0
Mattress Ticking										
Culp Home Fashions	45.1	33.6	26.7	14.9	28.8	5.1	7.4	15.3	15.5	10.8
	9.1	15.6	11.2	19.6	14.2	25.1	16.0	12.7	3.4	13.4
Overall Growth Rate										
Internal (without acquisitions)	6.4	13.0	8.7	19.6	12.3	25.1	16.0	12.7	3.4	13.4
External	2.7	2.6	2.5	-	1.9	-	-	-	-	-

Percent increase(decrease) from prior year:
Product Category/Business Units

	Fiscal 1998		
Upholstery Fabrics			
Culp Textures	4.3	1.9	3.0
Rossville/Chromatex	(0.2)	(0.6)	(0.4)
	2.2	0.7	1.4
Velvets/Prints	10.1	9.2	9.6
Phillips	-	-	-
	5.9	17.2	12.0
Mattress Ticking			
Culp Home Fashions	27.5	15.4	21.0
	9.9	16.8	13.6
Overall Growth Rate			
Internal (without acquisitions)	9.9	6.6	8.1
External		10.2	5.5

CULP, INC. FINANCIAL INFORMATION RELEASE
FINANCIAL NARRATIVE

for the three and six month periods ended November 2, 1997 and October 27, 1996

INCOME STATEMENT COMMENTS

GENERAL - Net sales increased 16.8 % to \$122.9 million and net income increased 21.4% to \$ 4.5 million for the second quarter, as compared with the same quarter of last year. This performance marks the 20th consecutive quarter of record earnings and the 18th consecutive quarter of record sales (based on comparable year-earlier periods). Net sales for the quarter without including Phillips Mills increased 6.7% versus the same quarter of last year. The company's net profit margin increased slightly to 3.7 % from 3.5 % for the quarter. Also, the company achieved a return on average shareholder's equity of 12.9 % for the first six months. The company acquired Phillips Mills at the beginning of the second quarter and the Phillips results are included beginning with the first day of the quarter (August 4, 1997). The company attributes this consistent record to several key competitive strengths:

Diverse Global Customer Base - penetrating other end-use markets in addition to U. S. residential furniture, such as bedding, international, commercial furniture and juvenile furniture; sales to these other markets accounted for approximately 50% of net sales during the second quarter; additionally, no one customer accounted for more than 7% of sales during the second quarter of fiscal 1998;

Design Innovation - investing in the creative aspect of our business - the company has significantly increased the resources (both designers and computer-aided design (CAD) systems) dedicated to the design and product development areas in each business unit; the company's in-house design staff now includes over 50 people. Additionally, the company is planning to open its state-of-the-art design center in Burlington, North Carolina during January 1998 that will bring together most of its design resources in one facility and utilize advanced CAD systems and technology.

Vertical Integration - realizing additional manufacturing integration by producing various raw material components that are used in the manufacture of

its products; and

Ability to Identify and Integrate Acquisitions - investing in selective, accretive acquisitions in complementary businesses which we know and understand, and that strengthen existing marketing positions or add strategic vertical manufacturing capabilities.

NET SALES - Compared with the second quarter of last year, upholstery fabric sales increased 17.2% to \$100.7 million and mattress ticking sales increased 15.4% to \$22.2 million for the quarter (See Sales by Business Unit schedule on Page 5 and Sales by Business Unit - Trend Analysis on Page 7). The growth in upholstery fabric sales for the second quarter primarily reflects the incremental sales from the Phillips acquisition of \$10.7 million and gains in Velvets/Prints - up 9.2%; other changes by business unit were: Rossville/Chromatex - down 0.6 %; and Culp Textures - up 1.9%. The growth in demand in sales for upholstery fabrics from U.S. manufacturers of residential furniture as a group began slowing during the second half of fiscal 1997. That pattern has continued thus far into fiscal 1998. The company believes the financial difficulties of a number of significant furniture retailers, including the recent bankruptcies of Levitz and Montgomery Wards, have significantly contributed to the slower rate of growth. Business with U.S.-based customers increased 10% from a year ago while sales to customers outside the United States rose 36% for the quarter. The sales gains in the U.S. relate to the bedding, commercial and juvenile markets, while the sales gains outside of the U.S. relate principally to the residential furniture market. Sales of wet printed flock upholstery fabrics, which remain one of the company's growing product categories internationally, increased 57.0% from the same quarter a year ago. The increased sales by Culp Home Fashions during the second quarter (up 15.4%) reflect the continued positive response to the new designs and fabric constructions, notably in printed jacquard ticking. The growth in Culp Home Fashions has been significantly aided by the company's investment in additional weaving capacity to manufacture wide jacquard greige, or unfinished, goods at the company's Rayonese facility in Canada. These greige goods are then further processed at other facilities by printing, dyeing and other finishing steps to produce mattress ticking.

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International sales were up 36.3% for the quarter. International sales in all major regions and each business unit were strong, and accounted for 29% of net sales for the quarter. (See International Sales by Geographic Area schedule on page 6.) The vast majority of international sales are denominated in U.S. dollars.

GROSS PROFIT - The gross profit increase of 18.9% for the second quarter versus the same quarter of last year reflects a substantial gain in the Culp Home Fashions business unit, the incremental gross profit from the Phillips business unit, a moderate increase in Rossville/Chromatex, flat results in Velvets/Prints and lower results in Culp Textures. The overall gross profit margin increased slightly to 18.5% for the quarter versus 18.2% in the same quarter of last year. The company is benefiting significantly from its international sales growth and the operation of its jacquard greige goods facility in Canada (Rayonese), which also will complete a major expansion of wide weaving capacity during the third quarter. Factors which adversely affected the company's profitability during the quarter included: (a) slower growth in demand from U.S. manufacturers of residential furniture; and (b) start-up costs related to expansion projects in the Velvets/Prints business unit (flock coating line, the new printing facility in Lumberton, N.C. and the integration of the Phillips velvet products into new facilities which resulted from the closing of the Phillips velvet plant in August). The company believes the majority of the start-up and transition issues are now resolved.

S,G&A EXPENSES - S,G&A expenses for the second quarter were essentially flat as a percentage of sales versus the same period of last year. The increase in absolute dollars is principally due to incremental S,G&A expenses for Phillips, higher sales commissions related to international sales and significant investments in additional design resources, which were offset by lower accruals for incentive-based compensation plans and other factors.

INTEREST EXPENSE - The increase for the second quarter of 46.5 % over the same quarter of last year is due to higher average borrowings outstanding, which resulted from the company's acquisition of Phillips Mills that was made on the first day of this quarter, and from capital expenditure and working capital investments that were made during the first half of this year. . INTEREST INCOME - Interest income increased for the quarter due to the higher level of unspent IRB borrowings which are reported as Restricted Investments on the balance sheet.

OTHER EXPENSE (INCOME), NET - Other expense (income) increased to \$425,000 from \$301,000 in the same quarter of last year, due primarily to the incremental goodwill amortization related to Phillips.

INCOME TAXES - The effective tax rate for the second quarter was 35.0%, compared with 37.5 % for the same quarter of last year, due to the lower tax rate related to an estimated higher amount of Canadian income and tax benefits related to an estimated higher level of international sales.

EBITDA - EBITDA for the quarter increased 20.0 % to \$12.6 million from last year's second quarter and represented 10.3 % of net sales compared with 10.0 % of net sales for the same period of last year.

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BALANCE SHEET COMMENTS

WORKING CAPITAL - Accounts receivable increased 42.4% from October 1996, due to the Phillips acquisition and increased sales for the second quarter. Days sales outstanding represented 55 days, up from 45 days at October 27, 1996 and 49 days at April 27, 1997. Accounts receivable continued to increase at a faster rate than sales because of the increasing mix of international sales and mattress ticking sales, which carry longer payment terms than U.S. upholstery fabric sales. Inventories increased 34.2% from October 27, 1996. Inventory turns were 6.1 versus 6.6 for last year's second. Operating working capital (comprised of accounts receivable, inventory and accounts payable) increased significantly to \$107.8 million at November 2, 1997, from \$77.6 million at October 27, 1996 and \$80.3 million at April 27, 1997, for the reasons mentioned above.

PROPERTY, PLANT AND EQUIPMENT - The company has maintained a significant program of capital expenditures over the past several years designed to expand capacity to support sales growth, increase vertical integration to lower product costs and control more of its supply of raw materials, and enhance manufacturing efficiencies through modernization. The company is currently planning capital spending of approximately \$36 million during fiscal 1998, which includes about \$12.5 million for expansion projects (35%); \$10.5 million for vertical integration projects (29%); and \$13.0 million for modernization projects (36%). The principal expansion project involves completion of various items related to the Lumberton, N.C. printing facility. The key vertical integration projects include yarn extrusion expansion and additional weaving capacity for jacquard greige goods at Rayonese. The modernization projects encompass a number of smaller projects throughout the company's operations. Depreciation expense for fiscal 1998 is expected to be approximately \$15.0 million.

LONG-TERM DEBT - The company's funded debt-to-capital ratio was 52.8 % at November 2, 1997, up from 46.2% at October 27, 1996, and up from 37.2 % at April 27, 1997. Funded debt was \$131.8 million at November 2, 1997, up from \$ 74.6 million at October 27, 1996 and up from \$ 65.6 million at April 1997. (Funded debt equals long-term debt, including current maturities, less restricted investments, which represent unspent IRB funds.) The increase in funded debt from April 1997 resulted from the Phillips acquisition (\$36.6 million), capital expenditures (\$19.2 million), an operating cash flow deficit (\$5.1 million), and a decrease in accounts payable related to capital expenditures (\$3.9 million). The sources of financing used to fund the Phillips acquisition were borrowings under the company's revolving credit facility in the amount of \$31 million and a note payable from the seller of \$6 million.

PHILLIPS ACQUISITION - On August 5, 1997, the company acquired the business and certain assets relating to the upholstery fabric businesses operating as Phillips Mills. Based on the terms of the asset purchase agreement, the transaction is valued at approximately \$37 million, which included cash, seller debt retired, a note payable to the seller and acquisition costs. The consideration for the acquisition also included stock options and an agreement for contingent payments to the selling companies within three years following closing that could range from \$0 to \$5,500,000, depending upon the future sales performance of the Phillips jacquard fabric product line. (See Form 8-K, dated April 30, 1997, which provides additional information related to the acquisition .)

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PENDING ACQUISITION OF ARTEE INDUSTRIES - On October 14, 1997, Culp entered into a definitive ASSET PURCHASE AGREEMENT to acquire the business and substantially all assets and to assume certain liabilities of Artee Industries, Incorporated ("Artee"), a yarn manufacturer. The transaction value at closing is estimated at \$17.4 million, and includes the issuance of new shares of Culp common stock, cash and a note, as well as the repayment at closing of Artee's interest-bearing debt. Also, there is an "earn-out" which provides the opportunity for additional consideration of up to \$7.2 million (60% in stock and 40% in cash), based upon the profitability of Artee during Culp's fiscal year ending May 2, 1999. The acquisition will be accounted for as a purchase, and therefore the results of Artee from the closing date will be included in Culp's results. Closing of the transaction is expected on May 4, 1998, or possibly earlier, if certain profitability levels are reached. Conditions to closing are set forth in the agreement and include, among other things, the satisfactory completion of Culp's due diligence and a minimum net worth requirement. (See Form 8-K, dated October 15, 1997, which provides additional information related to the acquisition.)